

FINANCIAL TIMES

Germany warns of
Greek blockade's
threat to region

German foreign minister Klaus Kinkel warned that Greece's controversial trade blockade on the former Yugoslav republic of Macedonia could further destabilise the region as the European Union strongly increased pressure on Athens to reconsider its action. European officials are expected to discuss the issue with Greece on Monday, when EU foreign ministers meet in Brussels to discuss the Balkan crisis and issues involving possible EU enlargement. Page 2

Russian life 'just bearable' Fifty-eight per cent of Russians regard life as "tough but bearable", but 28 per cent say they live in "intolerable poverty", according to a survey. Only 1 per cent believes it is "very well off". Page 22

Tories attack party chairmen Conservative party chairman Sir Norman Fowler was attacked by pro- and anti-European Tories after distancing the party from its federalist allies in the European Parliament, the European People's party. Page 22

Three shot at Sinn Féin offices Three workers were shot by loyalist gunmen outside the headquarters of Sinn Féin in west Belfast in the latest escalation of violence in the province. Meanwhile, UK prime minister John Major and Irish premier Albert Reynolds met in London today as they continue to seek an IRA response to the Downing Street peace declaration. Reynolds is demanding more north-south links. Page 5; Brussels row over Irish funds. Page 2

Allied-Lyons is selling its coffee operations, thought to be worth about \$30m, to concentrate its "hot beverages" activities on its Tetley tea business. Page 8

Peston wins investigation of Year award



Financial Times journalist Robert Peston won the investigation of the Year award from Granada Television's What the Papers Say for revealing that the European Bank for Reconstruction and Development was operating with running costs of £120m a year while its budget was only \$100m. The story of the bank's "unaided" budgeting was a major headline in the FT's wake, "left rival papers struggling in the FT's wake", judges said. Newspaper of the Year went to The Observer, and scoop of the year was awarded to Clara Henderson of the Grimsby Evening Telegraph who informed the world press of Norman Lamont's resignation. Award for FT photographer. Page 4

Council taxes set to fall Council tax levels for 1994-95 will be lower than last year in several of the metropolitan authorities which are facing elections in May. Page 4

Man charged in £12m blackmail Michael Norman, 51, of Wrentham, Dorset, was charged with making blackmail threats for more than £12m to the supermarket chains Sainsbury, Tesco and Safeway.

Call for 102 to stand trial in Italy Italian prosecutors recommended that 102 people, including former prime minister Bettino Craxi, should stand trial on corruption charges in connection with the building of Milan's underground railway, judicial sources said.

Big growth for cable expected The UK cable communications industry is entering a period of potentially explosive growth and could be a multi-billion revenue business by 2000, say two City studies. Page 5

S Korea accused over N-weapons North Korea, fighting accusations it is secretly building nuclear weapons, accused rival South Korea of stockpiling enough plutonium for 370 atomic bombs.

Dozens killed in China stampede Dozens of people were killed in a stampede by passengers changing trains in the central Chinese city of Hengyang, officials said. China's controlled state media did not report Tuesday's accident.

Whale protection The International Whaling Commission will next week discuss creating a whale sanctuary in Antarctica to offer permanent protection to endangered species.

STOCK MARKET INDICES		STERLING	
FT-SE 100	3,282.6 (-42.7)	New York headline	\$ 1.485
3-mo T-bill	3.48	London	1.478 (1.474)
FT-SE Europe 100	1,465.80 (-1.1%)	DM	2.548 (2.559)
FT-SE-A All-Share	1,763.82 (-1.1%)	FF	8.835 (8.738)
Nikkei	16,899.00 (-28.21)	SF	2.143 (2.154)
New York headline	3,282.6 (-42.7)	Y	194.238 (193.775)
Dow Jones Ind Ave	3,894.95 (-37.7)	Z Index	80.4 (80.4)
S&P Composite	468.40 (-3.94)		
US LUNCHTIME RATES		DOLLAR	
Federal Funds	3.25%	New York headline	\$ 1.710
3-mo T-bill	3.33%	DM	1.710 (1.710)
Long Bond	6.83%	FF	8.835 (8.835)
Yield	6.83%	SF	2.143 (2.143)
LONDON MONEY		NORTH SEA OIL (Avg)	
3-m Interbank	5 1/4 (5 1/4)	Brent 15-day (Apr)	\$13.25 (\$13.35)
Libor long bill future	5 1/4 (5 1/4)	WTI	10.45 (10.45)
NORTH SEA OIL (Avg)		New York Closes (Apr)	\$391.3 (\$391.3)
Brent 15-day (Apr)	\$13.25 (\$13.35)	London	\$378.5 (\$378.5)
WTI	10.45 (10.45)		
New York Closes (Apr)	\$391.3 (\$391.3)		
London	\$378.5 (\$378.5)		

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Russia challenges the west to ensure that Moslems in Sarajevo hand over weapons
Nato renews threat of air strikes

By Judy Dempsey in London, John Lloyd in Moscow and John Riddling in Paris

Nato renewed its threat yesterday to launch air strikes if Bosnian Serb forces fail to comply fully with the deadline of midnight tomorrow to remove all heavy weapons overlooking the hills of Sarajevo.

The warning was made despite Russia's diplomatic success in securing an agreement by President Slobodan Milosevic of Serbia that Bosnia's Serbs would meet Nato's ultimatum.

Nato officials in Brussels said the alliance would launch air strikes if Bosnian Serb and Bosnian government forces did not withdraw all their heavy weapons to a 20km exclusion zone around the Bosnian capital, as

well as respect a ceasefire. "If Russian pressure will help, we welcome that," a Nato official said. "But there should be no misunderstanding; any initiative will be assessed by its results." More than 300 Nato aircraft, backed by aircraft carriers, are on alert in Italy and Adriatic.

Yesterday, United Nations peacekeepers in Sarajevo continued to monitor the withdrawal and collection of heavy weapons from both Bosnian Serb and Bosnian government sides. Officials said armed UN troops were ready to guard any of the weapons storage sites.

But Russia, determined to maintain the diplomatic initiative, called on the US to play a more active role.

Mr Andrei Kosyrev, Russia's foreign minister, who was in

Serbs take heart from Russian intervention... Page 2
Chance for life in the dead zone... Page 6

Athens for talks with the German, Greek and Belgian foreign ministers, said: "It is important that the other side, the United States and others try, encourage other parties not to try to exploit the withdrawal but to exploit the possibility for peace and also make progressive steps from their side."

In Moscow, Mr Anatoly Adamishin, the first deputy Russian foreign minister, threw down a challenge to the west. "Russia has done her part of the job - now the west must do its part," he said. "We used our strong

point - our influence on the Bosnian Serbs. Now the west must use its influence on the Bosnian Moslems. They too must hand over their weapons within the deadline specified by the United Nations."

In an interview with the Financial Times, Mr Adamishin said the Moslems should not be allowed to use the Serbs' withdrawal to improve their battlefield positions. "They have in the past tried to make gains on the battlefield which they could not make at the conference table," Mr Adamishin said. "But they have already achieved massive results through negotiation."

Mrs Dee Dee Myers, White House spokeswoman, responded yesterday by saying: "The test will be in their actions on the

ground. The Nato decision has not changed."

But France said more measures were needed to lift the siege of Sarajevo.

Mr Alain Juppé, the French foreign minister, said a withdrawal of Serbian artillery from around Sarajevo had to be followed by other measures to bring an end to the siege of the city.

"Lifting the siege is not limited to the withdrawal of artillery. It requires freedom of movement in Sarajevo for humanitarian convoys and for people," he said, indicating that Sarajevo should be placed under UN administration.



Alain Juppé: more action needed

Clarke confident on growth despite a week of poor statistics

Recovery doubts raised by weak bank lending

By Graham Bowley

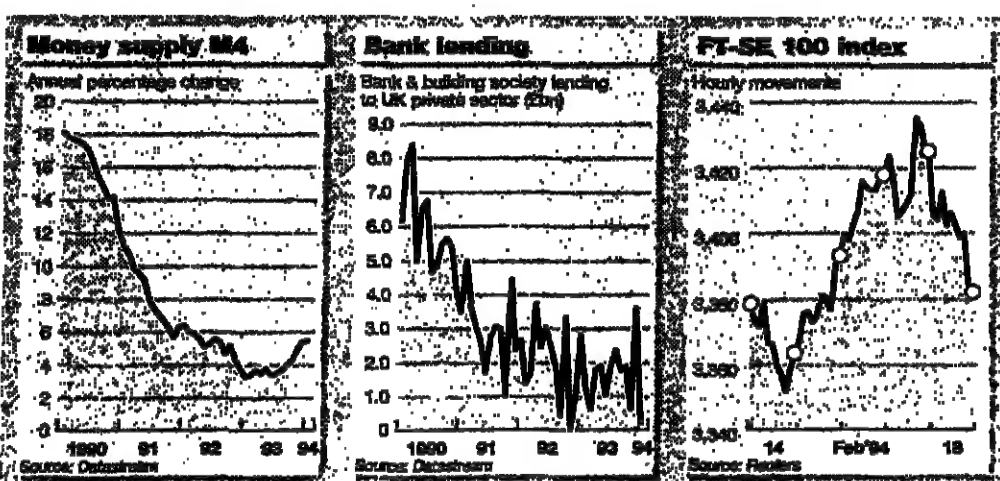
Weak bank lending figures yesterday kindled further fears that the UK recovery is losing strength even before April's tax increases take effect.

The data - showing the lowest increase in private sector lending since November 1992 - increased discomfort for the government at the end of a week in which a spate of poor economic statistics raised doubts about the recovery's sustainability.

Lending by UK banks and building societies - M4 lending - rose a seasonally adjusted £200m last month, the lowest rise for more than a year and much less than the £3.6m rise in December. It also fell short of economists' expectations for a £2.6m increase.

The news failed to rattle Mr Kenneth Clarke, the chancellor, who insisted that the recovery was on track and described the UK as "the fastest growing major economy in Europe".

He told Harrow East Conserva-



A worldwide fall-off in bond markets prompted a tumble in European equity markets yesterday.

The FT-SE 100 index, which covers the UK's most highly valued companies, fell 42.7, or 1.32 per cent, to 3,282.6. By the end of

after-hours trading, UK stocks were 27 points below their Friday close, indicating more pressure on the market on Monday.

However, senior market-makers stressed that the volume of business was lower than it had been in recent weeks and there

was very little panic-selling. The German market lost most of the gains it had chalked up following a rate cut on Thursday and the French CAC 40 index ended off 29.40 at 2,251.78. Report, Page 22; Bonds, Page 10; London stocks, Page 12

lysts said that the slowdown in private sector lending after the

Continued on Page 22
Building societies lose savers' cash, Page 4; Slow slow, quick quick, slow, Page 7; Editorial Comment, Page 6; Currencies, Page 11; Lex, Page 23; Markets, Weekend, Page 11

UK and China join ban on dumping nuclear waste at sea

By Bronwen Maddox in London and Tony Walker in Beijing

The UK and China surprised environment groups yesterday by joining an international ban on the dumping of nuclear waste at sea.

Their decision leaves Russia as the only country to continue dumping among the 72 signatories to the London Convention, a worldwide treaty on sea pollution.

Britain, China and Russia were among countries that abstained when a majority of the signatories voted for the dumping ban last November. The decision by the UK and China to join comes just two days before the deadline for registering opposition to the ban.

Ms Gillian Shephard, UK agriculture minister, told parliament that the UK "recognises that the weight of international opinion on this matter means that dumping is not... a practical proposition".

However, she added: "Scientific evidence shows that dumping at sea under controlled conditions

causes no harm to the marine environment and poses no threat to human health."

The ban covers low and intermediate level radioactive waste, but the convention also gradually phases out industrial dumping and incineration at sea.

There has been little dumping in recent years. The main target of the ban is the waste likely to arise when nuclear submarines and reactors are decommissioned in coming decades.

Ms Mary Morrison of Greenpeace, the environmental pressure group, said: "The UK's action was a great surprise - but it now has a big problem dealing with this bulky waste on land."

Plans by Nirex, the UK nuclear industry's waste disposal company, to build an underground nuclear waste store, have been repeatedly delayed.

Mr Bruce Alderman of Nirex said yesterday his company's proposals remained flexible. "We have always planned to take Ministry of Defence waste. But we have not reckoned on large submarines - the MoD would have to cut them up into small pieces

for them to be acceptable to us."

Mr Yang Wenhe, deputy director of the Chinese State Bureau of Oceanography, said in Beijing that China would stop dumping that waste this weekend. He told the official Xinhua news agency: "Disposing of wastes without licence or dumping irresponsibly at sea will be punished severely according to the law."

The ban will be reviewed in 25 years, although scientists will continue to re-examine the safety of dumping. The UK said it would reopen negotiations if opinion changed in favour of dumping. Britain, which has not dumped radioactive waste at sea since 1983, has already accepted a ban on dumping until 2008 under a separate treaty covering the north east Atlantic.

Belgium and France, which also abstained from voting on the ban in November, have accepted it in recent weeks.

Mr Manfred Nauke, the London Convention's secretary, said Russia had announced yesterday that it would not accept the ban. Russia said it needed to continue sea dumping until at least 1996.

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NEWS: INTERNATIONAL

Athens receives a stream of strong diplomatic protests over controversial blockade

EU turns screw on Greece over Macedonia

Gillian Tett in Brussels and Reuters in Athens

Greece's partners in the European Union yesterday strongly increased their pressure on Athens to lift its controversial trade blockade on the Former Yugoslav Republic of Macedonia.

Mr Klaus Kinkel, the German foreign minister, and Mr Willy Claes, the Belgian foreign minister, said in the Greek capital that they had asked Greece to reconsider its action. After meeting Greek President Andreas Papandreu, Mr Kinkel said that Greece's move could further destabilise the region and was "against the interest" of the EU.

Britain, along with other EU member states, delivered an

official diplomatic protest to the Greek government in Athens, and, in Paris, the French government summoned the Greek ambassador to express its concern.

European officials are expected to discuss the issue with Greece on Monday, when the EU's foreign ministers meet in Brussels to discuss the Balkans crisis and issues involving possible EU enlargement.

Diplomats in Brussels are deeply irritated at the move, which has been interpreted by some as an attempt to divert attention away from Greece's unease about the threatened NATO air strikes in Bosnia, and European Commission officials said yesterday that they would be seeking further "clarification" from Greece.



However, they said that it was unlikely that Greece's partners would seek to take concerted action until the Commission's legal services had prepared a report on whether the action had contravened EU law. The Greek delegation in Brussels said yesterday that it would argue that its action was legal since it involved national security.

Despite the heavy criticism from its allies, Greece, which currently holds the rotating EU presidency, has begun stopping ships from handling goods for Skopje, the new republic's capital, at Thessaloniki and blocking trucks from crossing the border 70 kms to the north.

Mr Claes and Mr Kinkel were in Athens for a regular meeting of the EU troika, which groups the current holder of the EU presidency with the previous one (Belgium) and the next one (Germany).

"I want to say openly and clearly that the EU expects Greece to show solidarity with the attitude of the other 11 [EU member] countries," Mr Kinkel said. "I expect that Greece will withdraw this decision."

Asked if the Macedonian republic should first meet any Greek demands, he said "No".

Greece is demanding three pre-conditions before resuming UN talks to resolve the two-year-old feud. It wants the new republic to change its name, national symbols and constitution to prove it has no territorial ambitions on Greece's Macedonia province, where 2.5m Greek Macedonians live. Macedonia declared independence from Yugoslavia in 1991 and gained UN admittance last year under the temporary name of the Former Yugoslav Republic of Macedonia.

Mr Andreas Papandreu, the Greek prime minister, said on Wednesday that Greece would stop the new Balkan republic from using its main trade route, the Greek port of Thessaloniki, except for vital supplies.

French output continues slow climb

By John Riddick in Paris

French manufacturing industry arrested its decline at the end of last year but the economy faces a slow recovery after recession, according to manufacturing output and industrial production statistics announced yesterday by Insee, the national statistics office.

Manufacturing output rose by 0.5 per cent in December, its second consecutive monthly increase, as a result of stronger demand for steel, construction materials and a stabilisation in consumer goods output.

A sharp fall in energy output, however, which resulted from a mild December, prompted a fall of 0.7 per cent in industrial production during the month.

The French Economy Ministry described the manufacturing output figures as encouraging. It said that the figures, which follow a number of other positive indicators, including increased production of intermediate goods and capital equipment, provided "evidence of consolidation in economic activity."

Private sector economists were more cautious. "There was a stabilisation in activity

at the end of last year and there is some improvement in business sentiment. But there is no indication yet of a significant recovery," said one economist at a French merchant bank.

The hesitant French recovery could be bolstered, however, by a reduction in interest rates following the 0.5 percentage point cut in Germany's discount rate on Thursday. The move opens the way for the first cut in borrowing costs by the Bank of France since it gained independence last month.

Many analysts expect, however, that the French central bank will wait for a reduction in the German repo rate before bringing its intervention rate, the floor for money market rates, below its current level of 6.2 per cent.

"The strategy of the French monetary authorities seems to be to maintain a slight positive differential on money market rates with respect to Germany," said Mr Christopher Potts, economist at Banque Indosuez in Paris.

As a result, it is the German repo rate which provides a stronger guide for French interest rate policy.

Serbs take heart from Russian intervention

Smiling Milosevic meets Churkin and persuades his people Nato air strikes will be averted

By Kerin Hope in Belgrade

A television shot of President Slobodan Milosevic smiling after a meeting with Mr Vitaly Churkin, the Russian special envoy on Yugoslavia, has done more than anything else to convince Serbs that Nato air strikes will be averted.

The Serbian president broke his silence on the Nato ultimatum to send thanks to Mr Boris Yeltsin, the Russian president for "his help in handling the biggest crisis so far in the peace process and reducing the danger of escalation of hostilities."

Mr Milosevic, facing an increasingly unstable Serbia, largely because of the impact of sanctions, has tried to distance his government from the Sarajevo ultimatum, even refusing an opposition request for a parliamentary debate on the threat of air strikes.

Mr Milosevic's position was made more uncomfortable by the fact that his ally, President Franjo Tudjman of Croatia, voiced support for the air strikes.

Yesterday, however, state-controlled television for the first time carried reports from Sarajevo on withdrawals of heavy weapons by Bosnian Serb forces, in compliance with

the ultimatum. The Belgrade daily *Politika* ran a headline saying: "The Serbs are withdrawing, the Russians are coming."

The independent weekly *Vreme* wrote: "After all these years, we now have the right to a little optimism, based on the hope that the worst will not happen."

Mr Yeltsin's letter, addressed jointly to Mr Milosevic, Mr Radovan Karadzic, the Bosnian Serb leader, and other Serbian officials, asked the Bosnian Serbs to withdraw their heavy weapons from around Sarajevo and lift the siege of the city.

The letter also asked the two Serb leaders to reinforce the security zone around Sarajevo and backed the UN plan for demilitarisation of the city. Mr Yeltsin's offer of 400 extra Russian troops to join the UN peacekeeping force in Sarajevo was seen as boosting the chances for achieving peace in the city.

The presence in Sarajevo of troops from Russia, traditionally supportive of the Serbs, would "give the Bosnian Serbs a sense of security from Moscow attack once the heavy weapons are withdrawn," one analyst said.

In Belgrade, the threat of Nato air strikes against the



Paratroopers march behind the Russian flag. Russia has offered to send troops to monitor Serb guns in Sarajevo

Bosnian Serbs served to divert attention from both a prolonged stalemate over forming a new government and worsening economic problems.

Two months of political manoeuvring after an election in

which Mr Milosevic's Socialist party was denied an overall parliamentary majority, denying his image as undisputed leader of the Serbs, has failed to produce any result, although some opposition lead-

ers now appear willing to support the Socialists. At the same time, cracks in the Socialists' new economic programme are appearing, with a shortage of new dinars now evident. Following strike

threats earlier this week by 12,000 Belgrade metal workers, the government has decided to resume subsidising production at the plant, reviving fears that a heavy bout of inflation will soon return.

Finland softens stance over EU farm subsidies

By David Gardner in Helsinki

Finland yesterday softened its opposition to European Union proposals on how to integrate Nordic and Alpine agriculture once Austria, Sweden, Norway and Finland join the EU.

The shift comes as the 12 and the four applicants start make-or-break ministerial talks on Monday to finish the enlargement negotiations by the end of this month.

Finland, along with Austria and Norway, opposed EU plans to cut their farm prices - 25 to 100 per cent higher than the EU norm - to fit in with the Common Agricultural Policy. Brussels advocates direct compensation to Arctic and Alpine farmers for the income lost, paid for by the applicant countries.

The Finns, Norwegians and Austrians want to apply the traditional EU system of border rebates for farm price differences, to ease the transition to EU price levels. The European Commission and the 12 reject this as reinstating the frontiers done away with by the single European market.

Mr Heikki Haavisto, Finnish foreign minister and former farmers' leader said yesterday that Finland was willing to examine the direct compensa-

tion plan if border rebates were ruled out. "If border rebates are not possible then we will have to look at it," he said, referring to the Commission plan.

Finland, like its Nordic partners, insists on a permanent "right to assist Arctic farmers. That, and how much the EU should contribute to the direct compensation payment will be at the heart of next week's negotiations."

Mr Esko Aho, the prime minister, said yesterday that the negotiations should concentrate on the big remaining issues. He confirmed Mr Haavisto's shift, saying "we are ready to discuss that but after we know what the permanent arrangements for Arctic farmers are."

Mr Aho also revealed that Finland would probably hold its referendum on membership in September, if next week's talks succeed. Finland is the Nordic country most likely to vote yes, this could have a positive effect on more sceptical public opinion in Sweden - where a referendum will probably not take place before November - and even in Norway, where anti-EU sentiment is strongest. The Norwegian referendum is likely to take place much later.

Row over Irish funds

By Tim Coome in Dublin

A new row has broken out between the Irish government and the European Commission over the allocation of £7.2bn in EU structural and cohesion funds to Ireland for 1994-99.

A team of Commission officials, headed by Mr Ennio Landaburu, the director general for regional policy, arrived in Dublin yesterday for what was expected to be a stormy meeting to discuss Ireland's plans for spending the £7.2bn under the various operational programme headings.

Mr Landaburu has publicly raised questions over Ireland's

emphasis on human resource development, for which £3.1bn is earmarked under Ireland's national development plan for 1994-99, and of which £1.9bn is to be funded by the EU.

Mr Ruairi Quinn, Ireland's minister for enterprise and employment, yesterday attacked Mr Landaburu for having publicly criticised Ireland's spending plans in advance of yesterday's meeting. Commission officials said yesterday that "nobody in the government can have been under any illusion that the plan would be simply rubber-stamped by the commission."

Deputies shun Tatarstan treaty

By John Lloyd in Moscow

Russian deputies yesterday refused to vote on the treaty signed between the Russian government and the leadership of the autonomous republic of Tatarstan, voicing growing concern that the agreement cedes too much power to the republic.

Mr Genady Zyuganov, leader of the Russian Communist Party, said yesterday that deputies refused to vote because six separate agreements, including details of fiscal and

other relations between the two sides, had not been published. Mr Fyodor Shelov-Kovalev, a former first deputy foreign minister and leading member of Russia's Choice, said that the agreement could lead to a "break-up of the federation."

In the main treaty, which has been published, the issue of the Tatarstan constitution - which describes the republic as a sovereign state and which was declared incompatible with the previous Russian con-

stitution by the then constitutional court - has been dropped. Mr Sergei Shakhrai, minister for regions and nationalities and one of the main negotiators of the treaty, admitted that the Tatar parliament would be unlikely to amend or revoke their constitution in the near future.

The treaty is also ambiguous about who has the right to levy taxes and on what they are to be spent. Mr Shakhrai said that the original demand of Tatarstan to have a "one chan-

nel" tax system under which it would decide which if any taxes to remit to the centre had been squashed - but it is not clear with what it has been replaced.

The treaty also explicitly allows Tatars who do not wish to serve in the Russian army to opt out in return for performing some other service specified by the Tatar authorities - a large concession in a country where compulsory service is widely resented and evaded.

Departure of senior banker will mean a further shake-up for the EBRD

Sarcinelli returns to Italy to head BNL

By David Marsh in London and Robert Graham in Rome

The appointment of Mr Mario Sarcinelli as chairman of Italy's Banca Nazionale del Lavoro will bring a further shake-up to the European Bank for Reconstruction and Development.

However, the prospective move to the BNL by this well-respected former director general of the Italian Treasury adds considerable impetus to the planned privatisation of Italy's largest state-controlled commercial bank.

Mr Sarcinelli, 59, who is No.3 at the London-based EBRD, said last night he was looking forward to heading the BNL. "I always go to places where there is a lot of challenge."

Mr Sarcinelli said he was offered the BNL job in a telephone call from a "high place" in the Italian government on Thursday morning.

Although one business associate of Mr Sarcinelli yesterday described him as "a fish out of water" at the EBRD, he said he was "not at all unhappy" at the bank.

Formerly in charge of the development banking department that was merged with EBRD's merchant banking team towards the end of last year, Mr Sarcinelli said the EBRD reorganisation "was one largely at my instigation." He added: "I am sad that I will not be reaping the results."

One EBRD executive said Mr Sarcinelli's move came as a surprise. "He was not forced out. He has landed a wonderful job. It is a good reflection on us."

Mr Sarcinelli said he would leave the EBRD after its annual meeting in St Petersburg on April 18/19. Choosing a successor was a matter for Mr Jacques de Larosiere, the EBRD president. "I

hope he has someone in mind," Mr Sarcinelli said. Mr Sarcinelli's return to Italy marks a remarkable shift of fortune for a man who had previously fallen foul of the political system. Mr Sarcinelli was the most brilliant mind of his generation recruited by the Bank of Italy, and rapidly moved up the ranks during the 1970s to become deputy general manager.

But he paid a very high price for daring to behave as an impartial public servant, pushing in 1978 for an inspection of the troubled Banco Ambrosiano, run by Mr Roberto Calvi.

In a politically-motivated move, Mr Sarcinelli was arrested in 1979 along with Mr Paolo Baffi, the then governor of the Bank of Italy, and trumped up charges by Rome magistrates. The charges were subsequently dropped and he was reinstated, becoming director-general of the Treasury.

However, he felt constrained in Italy's highly politicised environment in the late 1980s, and resigned in 1989 in a row over the way the Andreotti government was permitting uncontrolled credit cover for the Soviet Union.

Although he treated his move to the EBRD three years ago as a challenge, his colleagues saw it as a form of exile. The BNL has a tortured history. The bank has been associated with the secret masonic lodge P2 headed by Mr Licio Gelli. Mr Gelli and the P2 were found to be closely linked to the fraudulent bankruptcy of the Banco Ambrosiano.

Mr Sarcinelli's appointment is also an unequivocal signal from the government of Mr Carlo Azeglio Ciampi that it will try to push through BNL's privatisation. Until now BNL, traditionally controlled by the Socialists, has resisted any such move.



Sarcinelli: "sad not to be reaping the results" of the reorganisation of the EBRD which "was one largely at my instigation"

IG-Metall to plan strike

Germany's engineering workers yesterday cleared the decks for strike action, when all the remaining regions of the 3.5m-strong IG Metall trade union formally declared their wage negotiations to have failed, writes Quentin Peel in Bonn.

The national leadership is now expected to decide on Monday in which region to hold a strike ballot. Provided 75 per cent of the membership vote in favour, that would open the way for limited strike action in the region, from the second week of March.

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Japan's cooks struggle for right blend of foreign rice

By Emiko Terazono in Tokyo

With the first bags of foreign rice hitting Japan's supermarket shelves, worries about the best way to serve it have overshadowed concern that the Japanese way of life and its cultural values might be threatened.

Shoppers in Tokyo are being offered foreign rice for the first time because a shortage of domestic rice has prompted emergency imports.

For Japan, the question of rice imports has created political problems at home and abroad. Local farmers have protested, and the determination to keep foreign rice out, at

one stage, threatened the Uruguay Round of trade liberalisation talks. In the end, typhoons and a cold summer last year ruined the local rice harvest and forced the government into allowing imports.

Officially, Japan has until next year before it opens the country's rice market to foreign imports.

The emergency imports - a total of 2m tonnes - are from the US, China, Australia and Thailand. Imported rice will account for over 70 per cent of the rice marketed in the next three to four months.

The government wants wholesalers and retailers to blend Japanese and foreign

rice, rather than sell it on its own.

Householders have been scrambling for advice on the ideal ratio of foreign to Japanese rice and the past few weeks have seen even the serious news channels airing taste tests on sushi made with Thai long grain rice and California Rose. Will it be Californian seven to Thai three ma'am, or Japanese three to Australian two and Chinese five?

At the same time, consumers have also been confronted with reports of mouldy rice imported from California and packets of fungicides and pesticides marked with skull and cross bones, used to treat

imported rice.

"The negative coverage in the newspapers and television makes me very scared," says Mrs Sonoko Yoshimura, a 42-year-old housewife whose family of five consumes 11 pounds of rice every month. She adds that the older generation, including her 69-year-old mother, sensitive about how her daily rice tastes, will probably not take to foreign rice.

However while farmers grind their teeth at the sight of Japanese purity mixed with imports, businesses have quickly adjusted, turning public concerns of poor quality and taste of foreign rice into a

marketing opportunity. Food companies are now rushing to sell tablets which make foreign rice taste better when popped into the pot together, and special vinegars for sushi made with foreign rice.

Matsushita Electric Industrial, the leading consumer electronics company and largest maker of electric rice cookers, has also been bombarded with calls on how to cook imported blends. It is advising consumers to wash and soak foreign rice longer than normal Japanese rice and hopes to develop a rice cooker for foreign rice once it finds which rice blend best suits the Japanese palate.

But some consumers are willing to put xenophobia and prejudice aside for cheaper prices. Sotyu, a leading supermarket chain, was shocked to see 2.5 tonnes of California rice - priced at half of that of Japanese rice - disappear in a matter of hours.

"They were queuing up for it because it's just as good and half as expensive," says Mr Walter Mondale, the US ambassador, stressing that US brands are easily accepted if there are no barriers. Some leading retailers meanwhile intend to sell Japanese and foreign rice separately, leaving the blending up to the customers.

The Chinese go for gold

Tony Walker on why the authorities are encouraging the traditional love of the most precious of metals

When Professor Li Yin, one of China's most influential economists, advised people this week to buy gold he was doing no more than preaching to the converted.

The World Gold Council estimates that since China lifted a ban on the sale of gold jewellery in 1984 increases in gold consumption have averaged 20 per cent a year.

Given traditional Chinese affection for gold as decoration and as a hedge against hard times this revived appetite for the precious metal is hardly surprising, although the strength of demand has caught the industry off guard.

Gold is so embedded in Chinese consciousness that it ranks first in popular mythology among five sacred elements fundamental to people's existence together with wind, fire, water and earth. Indeed, the Chinese ideograms for "metal" and "gold" are identical.

Mr Lin Shan, director of research at China's Gold Bureau in Beijing, says simply that gold is money. "To many Chinese gold never loses its value, unlike paper money. It's also money one can save and pass on to one's descendants."

A "Gold Acquisition Study" conducted last year by the WGC in China's three main cities found that on average one in five people in Shanghai and Guangzhou bought gold jewellery in 1993, followed by one in seven in Beijing.

Average per head gold consumption among 1.17bn Chinese was \$42 in 1993, or approximately 0.2 grams per head. Overall gold ownership levels, that is numbers of people buying gold, were up about 5 per cent last year against 1992.

But mainland Chinese gold consumption per head still lags far behind Hong Kong and Taiwan whose citizens purchase on average 10 grams each a year.

Such is the obsession with gold these days, that when young women get together they talk about little else but gold jewellery. "If you're a young woman without gold jewellery you'll be looked down upon," said one observer.

China's Gold Bureau reports that gold consumption - the bulk is used in jewellery manufacture - grew from 150 tonnes in 1991 to 250 tonnes in 1992, compared with annual production from China's own mines of about 100 tonnes.

Gold purchases are expected to exceed 400 tonnes a year within the next few years. This would make China the world's biggest consumer ahead of India and the United States.

"Greater China" - China, Taiwan and Hong Kong - is already the biggest consumer, absorbing about about 500 tonnes of gold, or a third of

western mine production in 1992.

Prof Li's advice to Chinese to buy gold as a form of saving, and more importantly his recommendation that a gold exchange be established, is certain to attract attention in China where a vigorous debate is in progress about ways in which to rationalise and enliven the country's gold market.

A professor of economics at prestigious Beijing University and prolific writer in the local press, Prof Li is also a member of the standing committee of the National People's Congress, China's parliament.

Writing in the China Gold Daily, he noted that allowing people to own gold in the form of coins or ingots - gold purchases are restricted to jewellery - would be a means of channelling savings away from short-term consumer spending thus easing pressures on prices.

Other benefits of the establishment of a gold exchange were that it would help enliven flagging production, counter smuggling of gold abroad, generate tax revenues and contrib-

ute generally to the creation of a gold "industry" in China.

Debate about the establishment of a gold exchange has intensified recently since China's state monopoly over gold began to crumble with mines selling produce on a booming black market energised by surging demand for gold jewellery.

State purchases of gold were down by 40 per cent in 1993 compared with 1992, in spite of a doubling from September 1 of the purchase price to Yn2,866 (US\$43) a troy ounce. That price has not budged since and has remained at about 10 per cent below the world market.

With China in the grip of inflation - the cost of living increased by nearly 24 per cent in December - there would be lively demand among consumers for gold as a traditional hedge. The People's Bank seems reluctant, however, to yield its gold trading monopoly.

In the meantime, organisations like the WGC, representing the world's major mining companies, are certain to redouble their efforts to promote gold's allure in a potential market almost beyond imagination. WGC plans to spend \$3m this year on promotion.

Israeli Arabs to visit Damascus

By David Horowitz in Jerusalem

An unprecedented Syrian decision to allow a delegation of Israeli Arabs to visit Damascus was welcomed in Israel yesterday as a sign that relations might be about to undergo a transformation.

The 30-strong delegation, led by Mr Abdul-Wahab Daroushe, an Israeli Knesset member, is expected to travel to Damascus in the next few days, ostensibly to extend condolences from Israeli Arabs to President Hafez Assad on the recent death of his son Basil.

Israeli-Syrian peace talks resumed last week in Washington, but Israel has been calling on President Assad to invigorate the process by agreeing to a summit with Mr Rabin.

President Assad is seeking the return of the Golan Heights from Israel as the price of peace - a price that most Israelis are unwilling to pay, particularly in the

absence of more concrete evidence of a warmer long-term Syrian attitude to Israel.

Arrangements for the visit, suggested by Mr Daroushe, were made by Mr Amr Moussa, Egypt's foreign minister. Earlier this week, Mr Mohammed Bassiouny, Egypt's ambassador in Israel, informed Mr Daroushe that the Syrians had given their approval.

"It is a positive signal which we welcome, though it has its limitations," Mr Shimon Peres, Israel's foreign minister, said yesterday. Privately, officials in the prime minister's office were more enthusiastic, one noting that this was the first time Assad had agreed to meet openly with Israelis.

Israeli officials drew further encouragement from a message from Damascus that Syria remained committed to preventing rocket attacks on Israeli territory from South Lebanon. However at least two were fired into northern Israel on Wednesday.

US ambassador takes hard line with Tokyo

By William Dawkins in Tokyo

Mr Walter Mondale, the US ambassador in Tokyo, yesterday indicated mounting frustration at the US-Japan trade impasse, but stressed that the two powers' political and security relations must not be harmed.

"We're waiting for Japan to take the initiative to open its market. We have said, and we mean it, that the status quo is unacceptable," he said.

Mr Mondale had earlier supported attempts to strike a compromise with Japan on government procurement, an important aspect of the trade dispute, but without success.

The hardening in his stance directly influences the US position,

since Mr Mondale, a former US vice president, has a closer relationship with US president Bill Clinton than is usual for ambassadors.

Washington would continue to insist on numerical measures to gauge the increase in foreign goods' market share, said Mr Mondale. "I don't want to hint that we're willing to get off indicators. We have to have some way to measure progress," he said.

Despite the growing disarray of Japan's seven-party coalition, Washington would keep up the pressure. "At some point, nations have to do business with each other," said Mr Mondale.

He would not speculate whether the deadlock would be loosened by the Japanese government's latest plans to

improve access for imports, expected to be unveiled shortly, but warned: "We need and must have a response that opens this market in a decent interval," he said.

The Japanese government plans to draw up market opening emergency plans, possibly in time for the meeting of finance ministers and central bank governors from the Group of Seven industrialised nations in Frankfurt next Saturday.

"The ball is in Japan's court," admitted Mr Masayoshi Takemura, chief cabinet secretary. The measures are expected to include simplified import procedures, promotions of imports and foreign investment, more open government procurement and tougher anti-trust rules.

Machine tool chief quits after early retirement row

By William Dawkins in Tokyo

The boss of Okuma, a leading Japanese machine tool maker, and two directors, yesterday resigned after a row with the government over plans to lower the company's compulsory retirement age.

The move highlights the political and social constraints on Japanese companies' attempts to cut costs during the recession. The Labour Ministry has warned other employers not to follow Okuma's example.

Mr Yutaka Maeda, Okuma's president who resigned, applied last month for permission temporarily to lower the company retirement age from 60 to 55, to help reduce losses, expected to more than double to Y13bn in the year to March. The plan had the backing of Okuma's company union.

This provoked a rare warning from Mr Chikara Sakaguchi, Minister of Labour, that the plan would be socially harmful. He plans to submit a bill to parliament setting the

retirement age at 60. Okuma's move was controversial because it challenged Japan's social contract of a job for life in return for lifetime loyalty.

Earnings tend to rise with age, rather than merit, so people taking early retirement often make a bigger sacrifice than European or US equivalents. Okuma has promised to restore the retirement age to 60 when its earnings improve, said a ministry official.

NEWS IN BRIEF

More action on global warming

Industrialised countries have agreed on the need to strengthen the international climate change treaty to reduce emissions of gases that warm the earth's atmosphere, writes Frances Williams in Geneva. The treaty, signed by over 150 countries in 1992 and due to come into effect next month, commits rich nations to stabilise emissions at 1990 levels by the year 2000. However, governments have now accepted that this will not be enough to prevent potentially dangerous atmospheric concentrations of greenhouse gases.

Scientists have said a 60 per cent cut in carbon dioxide emissions is needed to halt global warming.

Portuguese telecom merger

Portugal has launched plans to merge its two state-run telecommunications companies, Telecom Portugal and Telefunco de Portugal (TDP), and absorb semi-private Radio Marconi, the Finance Ministry announced yesterday. AP writes from Lisbon. The new group will be called Portugal Telecom.

The merger anticipates the eventual privatisation of Portugal-Telecom, after November 1994.

TLP currently controls telecommunications for Lisbon and Porto, while Telecom handles long-distance, mainland and offshore traffic within Portugal and to Europe. Marconi provides intercontinental, satellite and cable services.

Spain's jobless rate hits 23.9%

Spain's jobless total rose by 630,000 last year to give an unemployment rate of 23.9 per cent at the end of December, according to the national statistics institute's labour survey for the fourth quarter of 1993, Tom Burns writes from Madrid.

The labour ministry said last week the number applying for unemployment benefits increased by 63,000 in January.

Belgian economy shrinks

Belgium's 1993 gross domestic product shrank by an estimated 1.5 per cent, the Belgian central bank said, Reuters reports from Brussels. In 1992 the Belgian economy grew 1.4 per cent. The central bank's new 1993 estimate is slightly better than the 1.5 per cent contraction it forecast in October. This was due mainly to hopes for a stabilisation of fourth-quarter growth.

Venezuela propping up four ailing financial institutions

By Joseph Mann in Caracas

Four Venezuelan financial institutions are receiving government aid because of liquidity problems, Mr Julio Soa, Venezuela's minister of finance, said yesterday.

Testifying before a congressional committee on the state of Venezuela's financial system, he said that three of the troubled entities were commercial banks, while the other was another type of financial institution. He did not provide any names, nor did he rule out the possibility of government intervention in ailing financial institutions.

Venezuela's financial system is still reeling from the effects of the failure of the country's second largest bank, Banco Latino. The government took control of Banco Latino in the

middle of last month. With the help of several large banks, it has provided Latino and other troubled banks with over \$1bn.

However bankers in Caracas say privately that more than four financial institutions are in trouble and that a series of government measures announced this week are not sufficient to confront the financial system's problems.

These measures included a determination to re-float Latino, a government demand that banks receiving official financial assistance increase their capital bases and improve performance, and a plan to strengthen the country's bank regulatory system. Last month, the central bank reportedly had eleven financial institutions on its "watch list".

Disgruntled Washington backs away from Haiti's Aristide

By George Graham in Washington

The Clinton administration and President Jean-Bertrand Aristide of Haiti appear to be irreconcilably at odds after the failure of another attempt to persuade him to make more concessions to the military junta that ousted him two and a half years ago.

Under pressure from the administration to show more flexibility, Mr Aristide met a delegation from the Haitian parliament in Washington, but he did not discuss a new peace plan that the US has been strongly backing.

This parliamentary plan calls on Mr Aristide to name a new prime minister, but unlike

the Governor's Island agreement last year which was supposed to bring about the restoration of a democratic government, it sets no date for the ousted president to return to Haiti.

It also calls for the resignation only of General Raoul Cedras, the army commander, and not of other military leaders such as Colonel Michel François, the police chief.

The Clinton administration still formally declares its support for Mr Aristide, but scarcely disguises its wish for a leader more accommodating to the military.

"I think we still have a working relationship with Father Aristide. We believe he's the democratically elected presi-

dent of Haiti, and our policy still is to restore a democratically elected government which is headed by Father Aristide," said Ms Dee Dee Myers, the White House press secretary.

But the US has for months now been urging Mr Aristide to appoint a government that includes members of the military, and has been cool to its demand that the United Nations stiffen its economic sanctions against Haiti.

"The relationship between the US and Aristide has never been worse," says Mr Larry Birns, director of the Council on Hemispheric Affairs, a Washington monitoring group, who describes the US's Haitian policy as "devoid of any capac-

ity for moral indignation or an ethical compass in favour of a president who won more than two thirds of the vote of his own people."

Critics note that the US has hitherto continued to do business with Haiti, despite the UN embargo.

US imports from Haiti rose by more than half last year to \$154m, thanks in part to an exemption granted by the US Treasury for imports of goods assembled in Haiti from US parts principally clothing and baseballs. US exports to Haiti also rose last year to \$231m.

European diplomats in Washington are scathing in their comments on what they see as the US's abdication of leadership over Haiti.

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NEWS: UK

Newcastle and Birmingham to cut council tax

By John Authors

Council tax levels for 1994-95 will be lower than last year in several of the metropolitan authorities which face elections in May.

The government predicted last December that council taxes would rise by an average of 7 per cent. But this seems certain to conceal big variations caused mainly by last year's overhaul of the standard spending assessment system used for government grants.

Birmingham, which is Labour-controlled, is reducing its council tax for band D properties from 1987 to 1993. Newcastle, also Labour-controlled,

expects to cut council tax in this band from £791.81 to £771. Other Labour authorities in the north-east also expect reductions - of about 8.5 per cent for Sunderland and 6.1 per cent for South Tyneside.

In London, Conservative-controlled Westminster, recently accused of "gerrymandering" by the district auditor, has cut band D council tax from £285 to £245, although many residents may pay more because of the phasing-out of government transitional relief.

Cuts are also predicted in the council tax precepts which will be made by three counties - Durham, Northumberland and Oxfordshire.

Occupants of the most expensive house in the Northamptonshire district of Wellingborough will pay a council tax of £587 in the coming financial year - less than many residents of modest terraced homes in parts of Britain with less wealthy councils, Chris Tighe writes.

In 1994-95, the Conservative-controlled borough is not only levying no council tax for its own services, but is giving discounts of up to £400 on the precept levied by Northamptonshire County Council.

Northamptonshire will levy a precept of £490.78 for Band D. On this figure, Wellingborough will offer a £200 discount, bringing the total tax paid down to £290.78.

In 1993-94 Wellingborough figures have been added. Provisional figures from the Labour-controlled Association of County Councils show big variations. While Northumberland expects to cut its precept by 5.1 per cent from £451.81 to

£466.63, five counties expect increases of more than 10 per cent - 10.3 per cent for Suffolk, 10.5 per cent for Nottinghamshire, 11 per cent for East Sussex, 11.5 per cent for Northamptonshire, 12.5 per cent for

Band D. This means Hambleton's smartest residences will attract a maximum council tax bill in 1994-95 of £933, including the county and maximum parish precepts.

Under local government reorganisation both Wellingborough, with 81,000 population, and Hambleton, with 68,000, face amalgamation with other areas.

Cleveland and 13.9 per cent for Hampshire. Precepts range in value from Hampshire at £490.84 for band D properties to Cleveland at £578.70.

Labour-controlled Cleveland county council, which is due to be abolished next year as part of the review of local government, said the government was "feather-bedding taxpayers in the south of England at the expense of people in this area".

The new system of grants is the biggest factor behind the shifts, although the Labour-controlled Association of Metropolitan Authorities said that some councils had collected much more in the first year of council tax than they had budgeted for, allowing them much more flexibility in setting this year's budgets. Falling interest rates have also cut councils' planned debt repayments.

Lambeth rapped by own top official

By John Authors

There was "a shambles at the very heart of the organisation" of Lambeth borough council mid-way through last year, Mr Henry Gibby, the London borough's chief executive, has told councillors.

He recommends department mergers and redundancies as part of the changes needed in the borough. Only eight directors would report to the chief executive rather than the current 13.

The changes would be part of Lambeth's attempt to answer criticisms in a report by the district auditor last year, which found that £20.2m had been spent unlawfully.

Mr Gibby says the council's central support services unit for members is "wholly unsatisfactory, confused and over-managed" and "developed in an ad hoc way that does not directly relate to the requirements of this section".

The report is still at the draft stage and must be approved by councillors before further management action can be taken.

Bank unions fail in strike vote

Banking unions have failed to get the majority they needed to take joint strike action against compulsory redundancies at Barclays Bank.

Bifu won a 54 per cent majority for a national one-day strike on a low turnout. While Barclays' Group Staff Union, which has a much larger membership in the bank, had a similar vote in favour - 55 per cent - its rule book has a 60 per cent threshold for action.

The unions say they are seeking an early meeting with Mr Martin Taylor, Barclays' new chief executive, in an attempt to remove the threat of 505 compulsory redundancies from staff in London and the south-east.

Race award bill goes to Lords

A private member's bill seeking to remove the £11,000 limit on compensation awarded by industrial tribunals in racial discrimination cases passed through all its stages in the Commons yesterday.

The race relations (remedies) bill was introduced by Mr Keith Vaz, Labour MP for Leicester East, with cross-party support. It now goes to the House of Lords.

Frigate contract won by GEC

Mr Jonathan Aitken, minister for defence procurement, said yesterday that General Electric Company and British Aerospace had beaten VSEL and Hunting Engineering for the contract to be the UK member for the joint venture between France, Britain and Italy to design and build the "first of class" of the common new generation frigate, due for production around 1997.

Work starts on Swansea suburb

Work has started on a 470-acre suburb for Swansea with 1,800 homes and industrial, commercial and leisure developments. The project by Swansea city council and the Welsh Development Agency has a target of more than £200m of direct investment by 2003.

The suburb, which will take up to 15 years to complete, will be called Swansea Vale.

Pharmaceutical industry fights generics move

By Daniel Green

A dispute between pharmaceutical industry representatives and the Department of Health erupted again yesterday over whether generic drugs should be prescribed in place of more expensive branded versions.

The Department of Health has said that it wanted to restart talks with doctors aimed at allowing pharmacists to dispense generic versions. But the Association of British Pharmaceutical Industries says this could cut drug sales by £500m a year and drive out drug company investment.

It added: "If generic substitution was permitted by parliament this could have a very serious effect on the UK based business. Canada introduced a policy of generic substitution 30 years ago. Very quickly it went from being a net exporter of pharmaceuticals to a net importer."

The government is considering various ways of controlling its spending on the National Health Service.

The NHS drugs budget is about £3bn and last year the government imposed a 2.5 per cent price cut on pharma-

ceuticals sold in the UK.

The department said yesterday it had long held a policy of encouraging generic prescribing. Of the 60 per cent to 65 per cent of branded drug prescriptions that could be replaced with generic prescriptions, more than 40 per cent already were.

Other drugs are protected from generic competition by patents.

The department said it had held talks with doctors over generic substitution since 1983.

The British Medical Association said these talks had failed because the department wanted to add a box to prescription forms that doctors would have to tick if they did not want a generic drug dispensed.

The BMA said it was re-examining its opposition to "ticking out" which was one of the reasons the government wanted to restart talks.

It said there were questions over safeguards on the quality of generic drugs and warned that there was a danger that the government might use pressure on doctors, rather than advice, to prescribe generics.



Financial Times photographer Trevor Humphries has been voted Business and Industry Photographer of the Year by a jury of 34 national and regional newspaper picture editors. His award was presented at Guildhall in the City of London last night by the Lord Mayor of London, Alderman Paul Newall. Colin Seere of the FT received a special award in the Business and Industry section. Humphries' picture shows Willy White, the man who cornered the market in red telephone boxes

Acrimony in motor industry criticised

By Kevin Done, Motor Industry Correspondent

Carmakers and components suppliers in the UK plan to establish a forum for improving relations. The move follows publication of a highly critical report sponsored by the Department of Trade and Industry and the Society of Motor Manufacturers and Traders.

The report says the "necessary levels of trust" are not present between vehicle makers and components suppliers.

"The mistrust which is in evidence is the result of many years of broken promises, abuse of confidence and general acrimony in the industry," it says.

The report was prepared by Professor Richard Lamming, professor of purchasing and supply management at Bath University School of Management. It was based on a series of discussion workshops held last year designed to improve relationships between manufacturers and suppliers, and highlights the lack of progress in reducing the traditional animosity between them.

"In developing new working agreements with their suppliers most vehicle manufacturers still appear to deal more in rhetoric than reality," the report says.

Prof Lamming said the loss of direct ownership control of most of the vehicle-making industry in the UK had made the process of improving relationships more difficult.

Commenting on the document, Mr Michael Heseltine, trade and industry secretary, urged the two sides to work more closely together to meet the challenge presented by the "globalisation" of markets.

Mr Heseltine said the report argued that a continued legacy of mistrust remained "a formidable barrier" to lean production and supply, and that there was "insufficient collaboration" on product and process development.

Relationships Between Vehicle Manufacturers and Suppliers. Department of Trade and Industry, 151 Buckingham Palace Road, London, SW1W 9SS. Free.

Civil service fast stream probed

By James Birtz

The government revealed yesterday that it is reviewing one of the cornerstones of the British civil service, the fast stream entry system that assures a glittering career for an elite of young high fliers.

For nearly 140 years the fast stream has picked out a small group of civil servants at the start of their careers and virtually ensured that they are Whitehall mandarins some 20 years later.

The system has been regularly attacked for ensuring that the civil service is run by a like-minded group of white, middle-class males educated at Oxford and Cambridge universities.

The Cabinet Office said yesterday that the review "would look at the structure of the system, whether the civil service needs a fast stream system at all".

In a parliamentary written answer, Mr William Waldegrave, the public service minister, announced that a review of the system was being carried out and it would be completed by June.

The review follows calls - from inside and outside Whitehall - for change to the top structure of the civil service to bring it into line with the management reforms of the last six years.

The creation of executive agencies to deliver central government services has led ministers to look for private-sector

skills in those who run them. A recent Whitehall report into career management also claimed that the fast stream system "could encourage the worst aspects of elitism and, without care, might perpetuate a set of skills more suitable to the past than the future".

Mr John Garrett, Labour MP for Norwich South and a former member of the Commons Treasury and civil service committee, said the announcement was the first time ministers had admitted that the system needs changing.

"A crack has appeared in the facade," he added. He claimed that civil service reforms could have a big impact on elite career management in the private sector.

Cabinet Office staff were

more downbeat about the announcement. "It shows we are a good, sensible employer, and this is a regular review of whether our recruitment is up to best practice," said an official.

The Cabinet Office is to review the future of Recruitment and Assessment Services, the civil service recruitment agency. The agency recruits civil servants and administers the fast stream system on behalf of the Civil Service Commissioners.

The review, which comes three years after the agency was created, will consider privatisation and contracting-out as well as a continuation as an agency. The views of outside organisations are to be sought on the options.

Societies suffer big net outflow

By Alison Smith

Personal savers seeking better returns on their money contributed to a net outflow of retail funds from building societies for the first January ever, according to figures released yesterday by the Building Societies Association.

The association said net receipts fell by £355m last month compared with a £363m inflow in January 1992.

Mr Adrian Coles, the association's director-general, attributed part of the outflow to the launch of the pensioners guaranteed income bond during January, and warned it was likely to have an impact on the figures for February as well.

"Further pressure on building society accounts will occur in February as the second instalment on the British Telecom third share issue falls due on March 1," he added.

The figures underscore continuing difficulties for societies in attracting retail funds, at a time of low interest rates, against competition from savings products such as unit trusts.

In each of the last two quarters of 1993, societies suffered a net outflow of funds. In November not even the inter-

est credited to accounts was enough to prevent a fall in total retail funds for only the second time in societies' history.

Some societies are not too worried about the state of the retail savings market as demand for mortgages is so slack that they do not need to raise large amounts of retail funds.

If there were a significant increase in mortgage demand while interest rates remained low then societies might have to turn more to the wholesale markets for funds. At present, wholesale funds are cheaper than retail deposits. There is, however, a regulatory limit on the proportion of wholesale funds that societies can raise, though none is close to it at the moment.

Further evidence of competition in mortgage lending came also in falls for gross mortgage lending and net new commitments.

Gross mortgage lending fell from £2.7bn in December to £2.1bn last month, while net new commitments fell to £1.8bn from £2.1bn.

Net advances - the difference between gross mortgage lending and repayments - increased however to £572m.

Call for Independent suitors to meet

By Raymond Snoddy

Mr Tony O'Reilly, chairman of Independent Newspapers of Ireland, appealed yesterday for everyone involved in the bid for The Independent to meet for talks on the newspaper group's future.

The call was made when Mr O'Reilly, who is also chief executive of HJ Heinz, the international food group, yesterday met Mr Andreas Whit-

nam Smith, the main founder of The Independent.

"It was good that we met. I am sorry we did not meet earlier," said Mr O'Reilly, who bought a 24.5 per cent share in the newspaper group last year. "I think there is a realistic chance that the interested parties will come together to discuss. I am not sure there is a realistic chance they will agree," he added.

The consortium, which brings together Mirror Group Newspapers, the El Pais newspaper of Spain and La Repub-

blica of Italy and the main founders of Newspaper Publishing, already owns just under 48 per cent of the company. It is expected to make a higher offer for the company.

Mr O'Reilly and the Irish Independent clearly have the money to finance the loss-making Newspaper Publishing or seek a larger stake.

Lloyd's disputes suicides report

By Richard Lapper and Andrew Jack

Lloyds yesterday rejected an allegation that more than 30 Names had committed suicide or died as a result of stress-related conditions linked to the underwriting losses.

Lloyd's said: "Public records show that seven deaths in the past few years have been attributed, by others, in whole or in part to the deceased's membership of Lloyd's."

It was reacting to a statement by Mr Christopher Stockwell, chairman of the Lloyd's Names Associations Working Party. This body links the action groups of loss-making Names - whose assets have traditionally supported the insurance market.

He was speaking after the death earlier this week of Admiral Sir Richard Fitch. Sir Richard, 64, a Name since the late 1980s, was found dead in his car outside his home in Middleton-on-Sea, West Sussex. A tube was attached to the car's exhaust pipe.

His son, Richard, said his father was "very distressed" by the prospect of heavy financial losses he was facing.

Mr Roger Pascall, administrative director of the Association of Lloyd's Names, which represents about 8,000 Names, said: "To say Names are under pressure is an understatement. Undoubtedly there are hundreds, if not thousands, of Names who are greatly distressed."

Ugly word may attract troubled Names

Richard Lapper reports on the reforms being considered by the insurance market

Followers of Lloyd's of London will become increasingly familiar with an ugly word during the next two years as the insurance market presses ahead with its strategy to modernise its capital base.

"Assignability" - the rights of the Names whose assets traditionally support the market to transfer or trade their participation on syndicates - is one of the reforms on the agenda of a new 10-strong committee, the Value Group.

The group will also examine ways that Names can be given pre-emption rights - allowing them the opportunity to increase their share on a syndicate if its management chooses to increase its capacity and underwrite more business.

Once answers to these issues have been found, a market in syndicate participations could be set up. On the basis of the supply and demand it should be possible to give value to participations.

The possibility of selling their participations in syndicates might allow Names to raise funds, allowing them to raise the extra capital needed to participate as limited-liability investors. Alternatively, Names could use the money to settle outstanding liabilities and withdraw from the market.

This latter option could help Lloyd's in its efforts to set up a new reinsurance company, NewCo, into which it aims to transfer all assets and liabilities for business underwritten before 1998.

As part of its preparatory work for NewCo, which is to be set up by the end of 1995,

Lloyd's is assessing the adequacy of reserves held by all syndicates to meet these so-called "old-year" liabilities.

Some syndicates may be asked to make calls on Names to increase their reserves. It is clearly possible that some hard-pressed Names could generate funds for this purpose by the sale of their participations on other syndicates.

Meanwhile, the group, led by Mr Robert Hiscox, the market's deputy chairman, will also examine ways in which Lloyd's can more successfully manage its capacity in the future, in order to avoid the kind of rate competition that plunged it into loss in the late 1980s.

One of the ways it could do this is by "risk weighting", adjusting solvency ratios - the ratio between capital and pre-

mium income - in line with the riskiness of particular lines of business.

Among other ideas likely to come under consideration are: Rule changes allowing corporate Names to own a majority or possibly all the participations on a syndicate. At present any one corporate Name can account for no more than 25 per cent of a syndicate's capacity, while corporate capital in general must account for no more than 50 per cent of a syndicate's capacity.

One-year accounting. Two years ago, Lloyd's rejected the idea of changing its present system of accounting for results three years in arrears. However, there is some pressure from corporate investors for this to change.

The introduction of two-year accounting is regarded as a strong possibility in the medium term, while some agencies may decide independently to account on an annual basis. If this were to occur the individual syndicates at Lloyd's could present their results independently - much as companies do - and Lloyd's might dispense with presenting its results on a global basis.

Each of these ideas indicates that after the successful introduction this year of corporate capital - trading on a limited liability basis - the market's management is determined to change the character of its capital base. As Mr Peter Middleton, chief executive, said recently: "Last year we seem to have been preparing for 1994."

Professional staff stage protest outside London headquarters

BT freezes managerial pay

By Robert Taylor,
Labour Correspondent

British Telecommunications will in April impose a basic pay freeze on most of its 36,000 managerial staff. This follows the breakdown of negotiations with the managers' union, the Society of Telecom Executives.

An estimated 1,000 BT managerial staff protested at the decision outside the company's headquarters in London yesterday. The union has called a delegate conference for March 10 to decide how to react.

"We regret there has been no agreement," said Mr Peter Archer, BT's employee relations director. "There was no meeting of minds. This is the first time we have ever gone ahead [in imposing pay] without making a deal."

About 4,000 managers - 16

per cent of the total - are to receive no income increase this year. The best-performing 10 per cent will receive consolidated pay rises averaging 3 per cent with a maximum improvement of 6 per cent.

BT estimates that 85 per cent of all managers (including the best performers) will next month receive one-off payments averaging 2.5 per cent or £800 - within a range of £300 to £1,940. But after April their pay levels will be frozen.

The total cost will add an estimated 2.5 per cent to BT's annual pay bill. Mr Archer said the two sides had earlier come close to agreeing a deal. He said that was not possible because the union had insisted that all managers receive an increase consolidated into basic rates if possible.

Last month BT decided to

suspend a performance-pay scheme that started last year, on the grounds that it was paying managers too much.

"BT has shot itself in both feet," said Mr Simon Fitch, the union's general secretary. "We have tried to rescue the company from its difficulties. It is true our members are well paid but they have played a big part in adding value to BT. What the company is now doing is wholly unacceptable and will result in a further worsening of morale among its managers."

The union said it wanted the company to prove to be the greater of a 2.5 per cent rise or a percentage greater than the size of March's inflation figure.

The company insists that it must bring the pay of its managerial and professional grades

more into line with what it sees as market realities. BT executives argue that their managers are paid 11 per cent to 15 per cent more than others in similar jobs in comparable companies.

BT said yesterday that 85 per cent of managers in the largest grade earned an average of £24,000 a year compared with £22,000 for their counterparts elsewhere. The company said its most detailed pay comparison showed that no other part of its 160,000 workforce was as well placed as its managers.

Mr Fitch said the union did not accept the findings of the survey and he questioned the basis on which they were compiled.

The company reported a £2.2bn pre-tax profit for the first nine months of last year.

Lottery cash to go on capital projects

By Raymond Snoddy

Money raised for good causes from the National Lottery should be spent mainly on capital projects, Mr Peter Brooks, national heritage secretary, said yesterday.

Mr Brooks said this would ensure that lasting new and improved facilities would be created by lottery profits which analysts believe could reach £1bn a year.

The national heritage secretary was setting out a framework for distributing funds raised by the lottery.

Five "good causes" - the arts, charities, a millennium fund, the national heritage and sport - will receive equal amounts. The distributing organisations are the Arts Council, the Sports Council, the National Heritage Memorial Fund, the Millennium Commission and the National Lotteries Charity Board.

Mr Brooks said that with the exception of the charity board, the distributors would be asked to concentrate on capital projects to create "first-rate facilities for sport and the arts and for investing in our built and natural heritage".

The distributors will be asked to give priority to projects that have an element of "partnership funding". All projects, Mr Brooks said, must be considered on their individual merits and all type and size of organisations should be able to apply.

Eight consortia have made bids for the licence to run the National Lottery and the winner is expected to be announced in May. Ticket sales should begin either late this year or early next.

Meanwhile, the BBC seems to be ahead in the television lottery stakes. The corporation believes that a majority - and possibly as many as six - of the bidders may have specified it as their preferred lottery broadcasting partner. Detailed broadcasting negotiations will only begin after a winner is chosen.

ITV is so concerned that this week Mr Andrew Quinn, chief executive of the ITV Association, went to the Independent Television Commission to discuss what ITV believes are restrictive rules on broadcasting the lottery.

The ITC has made it clear that ITV can broadcast a lottery programme but insists there can be "no undue prominence" for what is a commercial product.

The BBC does not appear to be so constrained and has been pitching hard for the right to carry the big draw, which could carry a top prize of up to £5m each week.

Reynolds to demand more north-south links

By Michael Cassell,
David Owen and Tim Coone

Mr Albert Reynolds, the Irish prime minister, will today tell Mr John Major that the British government must strengthen its proposals for greater cross-border co-operation in order to achieve a political settlement in Northern Ireland.

During a planned one-hour meeting in Downing Street, Mr Reynolds will indicate to his British counterpart that Dublin is likely to make clear its own ideas on the north-south relationship within a month.

This month Sir Patrick Mayhew, Northern Ireland secretary, gave Dublin a check-list of outline proposals for renewed talks aimed at a settlement and asked for the republic's response.

The meeting comes a week before Sinn Féin, the IRA's

political wing, holds its annual conference near Dublin.

With signs that the Irish government remains more optimistic than London of a positive response to the peace proposals, Mr Reynolds is expected to urge Mr Major to be cautious in his efforts to step up pressure on Sinn Féin to renounce violence and take part in negotiations.

Downing Street was yesterday playing down the significance of the meeting, saying that no formal statement was expected. One official said it could be seen as "a visible demonstration of the desire of both governments to be relentless in putting pressure on Sinn Féin and the IRA to declare their hands".

Mr Reynolds is keen to give the meeting more prominence however, and has interviews planned later with the media.

There appears to be a conviction in Dublin that, while a breakthrough may not be imminent, there are nevertheless indications that an IRA ceasefire may be forthcoming. Significantly, it is the belief at the highest levels in the Irish government that Sinn Féin and the seven-man Army Council of the IRA are willing to accept the joint declaration.

Last week Mr Reynolds responded by letter to Mr Gerry Adams, Sinn Féin president, for his request for "clarifications" of the declaration.

Officials in the republican movement say Sinn Féin views the Irish government's stance positively. The problem appears to be that lower IRA echelons are not willing to go along with the declaration and a permanent ceasefire without further assurances from the British government.

Clinton seeks harmony after Anglo-US rift

By Philip Stephens,
Political Editor

President Bill Clinton has assured Mr John Major that he wants to draw a line under the rift in Anglo-US relations caused by a row over Northern Ireland and sharp differences in their approach to the Bosnian war.

In spite of an undiplomatic attack on the US administration's Bosnia policy yesterday by Mr Malcolm Rifkind, the defence secretary, Downing Street expects Mr Major to receive a friendly reception when he visits Washington at the end of this month.

Mr Clinton plans a return trip to London in early June before the 50th anniversary celebrations of the Normandy landings during the second world war.

British and US officials said that during recent telephone conversations Mr Clinton had sought to reassure Mr Major about the strength of what used to be called the special relationship. The officials confirmed that, contrary to denials from Downing Street, Mr Clinton had warned Mr Major of serious damage to the Nato alliance if Britain had sought to veto the threat of air strikes against the Bosnian Serbs.

But once Mr Major backed the plan Mr Clinton made it clear that he was anxious to repair the recent damage to the relationship between the White House and Downing Street. The president told Mr

Major that his decision to override British objections to a visit to New York by Mr Gerry Adams, the Sinn Féin leader, should not be interpreted as a deliberate personal slight.

Mr Clinton disowned reports in some US and British newspapers that he had been totally unconcerned that the decision to give Mr Adams a visa might be interpreted as a slight against the British prime minister. Instead he blamed freelance briefings by US officials.

The stance adopted by the US president has been greeted with intense relief by prime ministerial aides. Mr Major is conscious that Britain's declining influence in Washington threatens further damage to his political authority.

There remains a possibility that differences over Bosnia could flare up again before Mr Major travels to Washington. Mr Rifkind's attack on the US over its refusal to contribute troops to the United Nations force in Bosnia was indicative of tensions that remain.

The help given by the Conservatives to the Republicans during the presidential election and investigations by the Home Office into Mr Clinton's stay in Britain in the 1980s mean also that the relationship between the two men will never be particularly warm.

But the British side is now convinced that Mr Clinton is ready to make a conscious effort to emphasise that good transatlantic relations have been restored.

Fast growth expected for cable

By Raymond Snoddy

The UK cable communications industry is entering a period of potentially explosive growth and could be a multi-billion revenue business by the year 2000, say two City studies.

Lehman Brothers, which has considerable experience of the industry in the US, believes that, at a cost of £7bn, cable for television and telecommunications services will be available to 13.5m UK homes by the next century.

Given what the investment bank describes as a "modest expectation" that about 45 per cent of people who can subscribe to cable do so, it says industry revenues should exceed £5bn a year.

Kleinwort Benson, the merchant bank that was recently appointed financial adviser to TeleWest, the largest cable operator in Britain, says cable is at last achieving dramatic growth. The improved economics of combined television and telephone network operations are mainly responsible for this, it says.

Kleinwort says that, on conservative assumptions, by the year 2000 the television side should produce annual revenues of £1bn with telecommunications adding a further £1.6bn. It argues that the UK cable industry presents the world's first opportunity to invest in broadband networks that will act as "information super-highways". They will be able to carry a potentially vast

range of entertainment, communications, multi-media and interactive services.

Lehman notes that so far the local appetite for cable investment has been minimal. The industry was now rapidly gaining credibility and its viability was increasingly demonstrable. "Those who wait for further evidence and delay investment face the prospect of an entry price that much higher," it says.

The Lehman study says that five leading cable companies are considering equity financing with the prospect of a London listing "a very real possibility". The five are TeleWest, a TCI-US West joint venture, Bell Canada, General Cable, Jones Cable and Comcast.

Greater clarity urged in accounts

By Andrew Jack

The new chairman of the Financial Reporting Council yesterday called for greater clarity in the presentation of company accounts.

Sir Sydney Lipworth, former chairman of the Monopolies and Mergers Commission, said at the annual awards ceremony for published accounts that they should be true, fair and also clear.

"Technical interpretations of accounting standards had obscured 'the wider and plainer' sense of the requirement for accounts to present a true and fair view."

He called for an end to "sharply differing practices" and said he believed there would for some time be the need for the Financial Reporting Review Panel, the accounts watchdog, to deal with cases of bad accounting.

Sir Sydney said he would continue to pay attention to the concern of industry that there was a danger of an "overload" of new requirements. "The Accounting Standards Board could not please everyone in drawing up new standards but it listened objectively to the case against its proposals."

The award, which is sponsored by the Stock Exchange and the Institute of Chartered Accountants in England and Wales, was won by Coats Viyella, the textiles and clothing company, and James Cropper, the paper and board maker.

Mr Richard Sykes, chairman of the judges, said he was impressed with the information provided on the companies' operational divisions, compliance with accounting requirements and the guidelines of the Cadbury committee on corporate governance, and details on share options and directors' emoluments.



John Major talks to Steve Young of the Polkemmet pipe band yesterday during a visit to the Digital semiconductor plant at South Queensferry, where a £65m expansion project was announced

Digital expands in Scotland

By James Buxton

Digital Equipment, the US computer manufacturer which is continuing to make heavy losses, is to invest £90m at its two plants in Scotland. The investment will increase capacity in semiconductor and computer manufacturing.

The company will invest more than £65m in new equipment at its semiconductor plant at South Queensferry

near Edinburgh and more than £20m on manufacturing capacity at its plant at Ayr, Strathclyde, to meet consumer demand.

The South Queensferry plant, which Mr John Major, the prime minister, visited yesterday during a tour of Scotland, is Digital's only facility making its high-powered Alpha microprocessor.

The new investment will enable the plant to produce the next

generation of Alpha chips. Digital has agreed with Advanced Micro Devices, the US semiconductor maker which is a rival to Intel, to produce its microprocessors at South Queensferry. It expects output of the Am486 to reach a rate of 2m a year in the first half of next year.

The £90m investment will bring to about £300m the total that Digital has invested in Scotland in the past 18 years.

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A mid-Atlantic recovery

In the dark days of the 1970s, Britain was said to have the only economy in the developed world that overcame the recession. It was the only one that started the recovery. This week a welter of statistics showed that the UK economy is as far removed from that diagnosis as Rover Group is from the days when fire-brand conveners could bring it to a halt at the drop of a hub cap. The message in the official data was that most of the surprises are still coming on the side of a better than expected inflation outcome. Yesterday's weak bank lending figures confirmed that consumer demand is nothing like as buoyant as some had assumed. Everything continues to point to a slow and fumbling recovery along the path earlier described by the US. The engine has yet to warm up.

In the English-speaking economies and in Japan, this is an economic cycle where financial factors are having a disproportionate influence. A build-up of debt in the personal and corporate sectors, followed by a high incidence of bad debts in the banking system, has dampened demand and reduced the effectiveness of monetary policy. A well-judged response from the US Federal Reserve, which until this month had made the recapitalisation of the banks a specific target of monetary policy, has ensured that the US banking system is now playing its part in a recovery that is robust enough to call for modest pressure on the monetary brake.

While Britain went into the downturn at much the same time as the US, membership of the European exchange rate mechanism deferred its recovery. The subsequent devaluation and reduction in short-term interest rates from 15 per cent to 5 1/2 per cent means that the British economic cycle, like the soul of the Tory party, is awkwardly suspended between the US and continental Europe, which is lagging the rest of the developed world. The question is whether the present state of monetary policy is sufficiently relaxed to ensure that April's fiscal tightening will not bring the economy to a grinding halt.

Fiscal squeeze

One striking difference between the British experience and that of the US is that American exporters had the benefit of a much more substantial devaluation. Another is that US real interest rates have been close to zero throughout the early stages of the recovery. In contrast, real rates in Britain remain high by comparison, with the underlying inflation at between 2 and 3 per cent.

Moreover, the fiscal squeeze now proposed by the government is on a scale that far exceeds the

modest tightening under way in the US. And since Britain is a more open economy, it is more beholden to its trading partners in Europe. Their problem has less to do with debt than overvalued exchange rates; and the resulting stagnation has proved a massive stumbling block to the kind of balanced, export-led recovery that Britain ought to have enjoyed against a background of continuing high personal sector borrowing and a return to surplus in the corporate sector.

Modest loosening

The Bundesbank's decision to signal a modest loosening of monetary policy on Thursday looks overdue. Coming after the earlier quarter-point reduction in British rates, it confirms that the US and Europe are now on divergent monetary paths. Yet despite the fact that British rates are converging with those in continental Europe it remains striking that British gross domestic product since the start of the decade has not only lagged behind the US but behind Germany and France as well. It remains very below trend by any comparative yardstick.

That suggests that the authorities are still finding it hard to adjust to the new disinflationary circumstances and that UK rates will have to come down again. It may be that the markets are finding it equally hard to adjust. The Fed's tightening at the start of the month continues to make both bond and equity markets nervous in Europe.

To the extent that interest rate differentials have altered in favour of the US, some repatriation of US capital was always on the cards. Yet disinflationary forces in Europe remain very powerful, which makes the bond market response look slightly perverse. Equities, meantime, are enjoying the benefit of a very American-style mutual fund boom as falling rates make bank deposits less attractive. In Britain the personal sector has been reluctant to invest in equities and has also pushed unit trust sales to record levels. A less remarked phenomenon is the way Italian mutual fund inflows have soared over the past 15 months and French equity investment in SICAVs (unit trusts) has done much the same.

If interest rates have further to fall in Britain and the rest of Europe, then instinct suggests that European capital markets should no more be taking their cue from the US than the underlying economies. The change in the direction of US interest rates was bound to impart a profound shock to global capital. But the markets, hitherto effervescent, will prove difficult to read until the dust has properly settled.

The 11th-hour Russian diplomatic initiative in Bosnia has made it increasingly unlikely that the Nato threat to launch air strikes against the Bosnian Serbs will be carried out.

Formally, the Nato powers are sticking to their ultimatum of February 9. This stipulates that the Bosnian Serb gun positions around Sarajevo will be bombed if they do not withdraw their heavy weapons from a 20km (12-mile) exclusion zone around the city, or place them under United Nations control by tomorrow night.

In practice, however, the decision by the Russians on Thursday to send 400 peacekeeping troops to bolster the UN force in Sarajevo, to be followed by another 400 later, gave the Bosnian Serbs the face-saving formula and sense of security they needed to withdraw their weapons.

General Sir Michael Rose, the commander of UN forces in Bosnia, said that following the announcement of the agreement on Thursday evening between Mr Vitaly Churkin, deputy Russian foreign minister and special envoy to the Geneva peace conference, and Mr Radovan Karadzic, the Bosnian Serb leader, the pull-out of heavy weapons had become "an exodus".

Yet only a few hours before his statement, which followed less convincing reports of a trickle of weapons which had been placed under UN control, it was by no means certain that the Nato deadline would be met. The Bosnian Serbs, though they appeared to be taking the Nato ultimatum seriously, they had treated similar threats in the past, were clearly extremely reluctant to comply with demands made solely by the western alliance.

They were comforted in their attitude by the critical stance adopted by the Russian leadership towards the Nato ultimatum. President Boris Yeltsin, harassed by his right-wing nationalist opponents and upset at not being consulted by Nato on an important issue affecting Russia's traditional Slav allies, was obliged to act to preserve his personal and his country's credibility.

In the event, the Russian initiative turned out to be something of a diplomatic coup. It fulfilled three essential objectives, satisfying both the Russian and western positions:

- It reinforced Nato's demands by persuading the Bosnian Serbs to withdraw their weapons, while reassuring them that the weapons would not be abandoned;
- It will give Russia a more important role in forthcoming negotiations on a Bosnian peace settlement;
- More generally, it has re-established Russia as a player to be reckoned with on the international stage at a time when it was beginning to be ignored by the west.

It is virtually certain that these results would not have been obtained in the absence of the Nato ultimatum, itself something of an achievement in international diplomacy between the western nations.

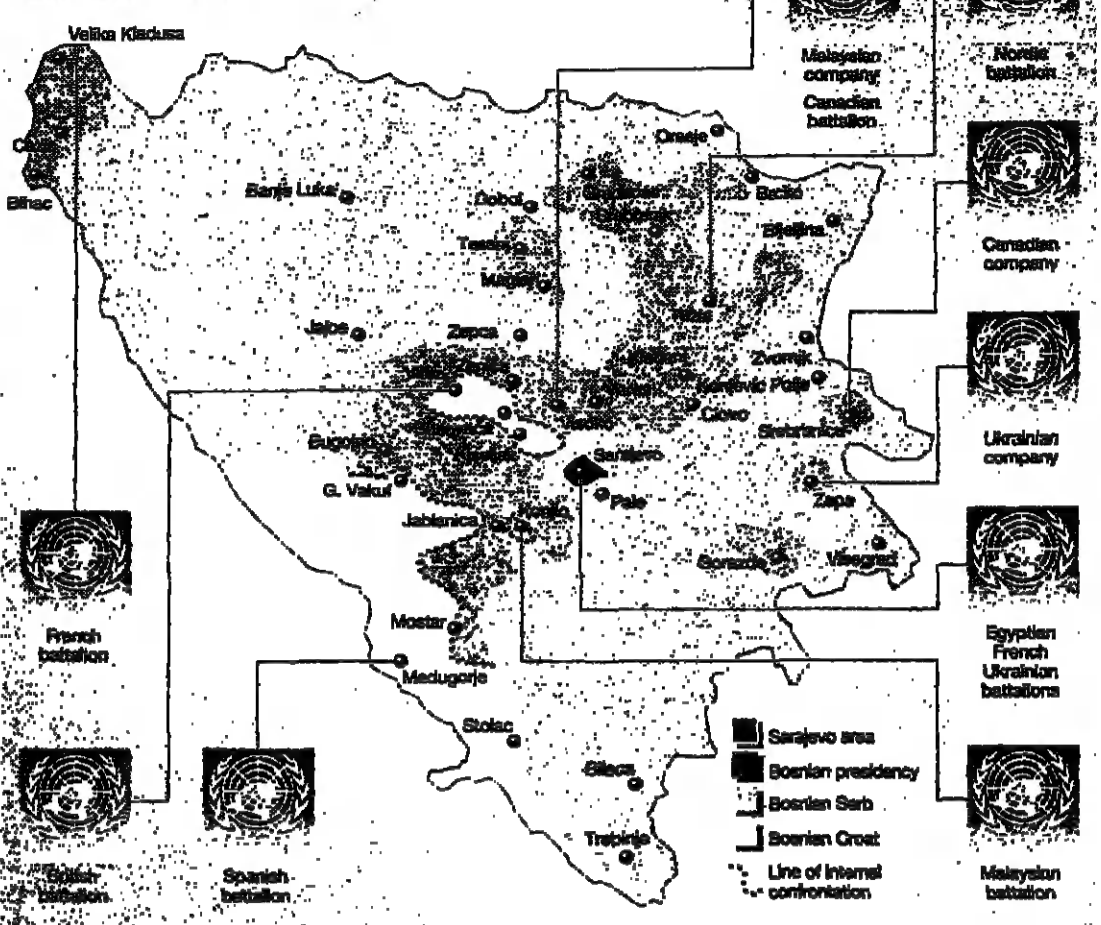
The 23-month-old Bosnian crisis has been littered by numerous similar threats of air strikes, all unfulfilled. If the latest in the long series has appeared more credible, it was because it was made by Nato as a whole with the strong support of the US, which has been conspicuous by its absence from the Bosnian conflict, as well as having a time-limit attached to it.

Ironically, it was France and, in the last resort the UK, both opposed to air strikes when they were first proposed by Washington in May

US and Russian pressure could improve the prospects for a Bosnian peace deal, say Robert Mauthner and Judy Dempsey

Chance for life in the dead zone

Bosnia-Herzegovina: the frontlines



this year, which did all the pushing to get the US involved this time.

In the case of France, by far the biggest contributor to the UN Protection Force in former Yugoslavia, the public outcry at the massacre in the central Sarajevo marketplace two weeks ago undoubtedly influenced the decision of a government already more inclined than others to use force in Bosnia.

The UK's position has all along been more ambiguous, with the government, handicapped by a slim parliamentary majority, opposed to any action which could lead to the loss of life of British troops and cause further splits in the governing Conservative party.

There were two main reasons why London finally changed its mind on air strikes. It did not want to be isolated within the Atlantic alliance and, above all, it wanted to avoid a rift with the US which had forged an uncanny alliance with France on a vital foreign policy issue.

Yet the most constructive aspect of French and British policy, pursued with confrontational Gallic vigour on the part of Paris and more discreet diplomatic finesse by London, was the desire to get the

US more closely involved in the Bosnian conflict.

The Bosnian Moslems, even when they were under severe pressure from the international mediators to make territorial concessions, had always put their faith in Washington not to back any plan they considered unworkable.

With both the US and Russia likely to play a much more prominent part in the peace negotiations in the future, the prospects of reaching a settlement have undoubtedly improved - on the assumption, of course, that each of the two powers is prepared to put pressure on its respective Bosnian allies to make the necessary compromises.

The breakthrough is, however, only the beginning of what is bound to be a long process. The next few days will be crucial in setting out a coherent agenda, not only for bringing all sides back to the negotiating table in Geneva, but ending the fighting throughout the republic.

What happens in Sarajevo could be a test case. In addition to the withdrawal of the Bosnian Serb heavy weapons, UN officials said yesterday they wanted the siege of the city to be lifted. This would

mean removing road blocks, allowing humanitarian aid to get through, and restoring water, electricity and communications to the city. As Gen Rose has repeatedly said, the complete demilitarisation of the city would require more troops. But western governments are reluctant to send reinforcements.

Mr James Gow of the Centre for Defence Studies at King's College, London, says the crucial factor in extending demilitarisation to the rest of the country is the attitude of the Bosnian government, which "must be persuaded that it is in its interests to settle for a peace plan".

Achieving the latter might prove tricky. The Bosnian government has already expressed reservations about Russia's presence in Sarajevo, on the grounds that Moscow is considered pro-Serb. The Moslems were seeking, above all, western military intervention at a time when the Bosnian army was building up a disciplined and well-trained infantry superior to the Serb forces. This option has been pre-empted by the arrival of Russian peacekeepers, since nobody will launch air strikes while they are monitoring Serbian positions.

"The Bosnians trust only the Americans. To secure an overall peace settlement, the US will have to move quickly. The Bosnians may have to recognise the limitations of what they have achieved," added Mr Gow.

The current peace plan on the table in Geneva involves the division of Bosnia-Herzegovina into three ethnic statelets, with a clear bias towards rewarding Serb and Croat territorial gains.

The UN forces are anxious that the peace talks should reflect developments on the ground. They have no mandate to monitor Bosnian Serb weapons outside the Sarajevo exclusion zone. "Those weapons can be moved anywhere in eastern and central Bosnia where the fighting continues unabated," a Nato diplomat said.

"The pressure now is tremendous," a UN official conceded. "All sides, knowing that we are concentrating on Sarajevo, could beat the hell out of each other in other parts of the country so as to secure territorial gains before we turn our attention beyond the capital."

The UN objectives are:

- Lifting the siege in Sarajevo;
- Lifting the sieges of Srebrenica, Zepce, Gorazde, and Tuzla in central and eastern Bosnia;
- Continuing Russian pressure on the Serbs and US pressure on the Moslems to make compromises on reaching a peace accord;
- Increasing pressure on Croatia to withdraw its troops from Mostar, the regional capital of western Herzegovina, which, unlike Sarajevo, has been almost reduced to rubble.

"I have no doubt that this will involve tens of thousands of peacekeeping troops," a former senior military adviser to the British government said yesterday. "And just because Nato threatened the use of force only in Sarajevo, there is no reason that Nato, and especially Washington, cannot apply the threat to other cities, although that will require the backing of the Russians."

Nato and UN officials yesterday said none of these aims could be achieved without persuading all the protagonists that it is in their interests to stop the fighting, including the patron states of Serbia and Croatia. "It is clear that President Slobodan Milosevic of Serbia wants international economic sanctions against his country lifted," a Nato diplomat said yesterday. "But any talk of that is too early. We have to keep the pressure on."

He added that Croatia could be brought to the negotiating table because the threat of economic sanctions remains. But the Bosnian government would only stop the fighting if the US could guarantee a permanent and more just peace settlement, he said.

The setting up of a civilian administration by the UN could be the next step for Sarajevo. "This is what we did in Cambodia," said a UN official. "But such an arrangement would require large numbers of personnel. More than that," said Mr Gow, "it is only the Americans who can tie up the whole thing."

Washington has said it would provide peacekeepers under UN auspices, if and when a negotiated peace settlement is reached.

"The Russians are on board. It is time for the US to help secure this peace. This is the last chance for peace," the Nato diplomat said. "We must capitalise on the previous few days. But then, our record in failing to grasp the moment in the Bosnian crisis is truly miserable."

Mr Absent without leave

Political and economic reform are being jeopardised by the semi-detached state of Yeltsin, says John Lloyd

The Russian president appears to have played little part in the governing of the country for some weeks. This fact is causing concern in Russia and abroad: the more so since on him depends the setting of a strategic course for the government, the lineaments of a relationship with the parliament and a clarification of foreign policy - all areas where unanswered questions multiply anxiously.

His decision to delay until next Thursday the critical state-of-the-nation speech, scheduled for yesterday, was the most overt sign of Mr Boris Yeltsin's semi-detached state. The delay was said to be due to a bad cold; indeed, one of his press secretaries, Mr Anatoly Kravtsov, went so far as to urge correspondents to look for themselves at Mr Yeltsin on television that day, to see how ill he looked.

Unfortunately for this proposition, Mr Yeltsin - appearing with Mr John Major, the UK prime minister, at a press conference - did not look particularly ill. He spent well over two hours talking to Mr Major, took a press conference (standing) for about half an hour, had a meeting with the president of the Republic of Tatarstan to sign a treaty and in the evening hosted a Kremlin dinner. British diplomats insist that the president was in complete charge of his brief, took the initiative, made jokes.

Thus to plead a cold as reason to cancel a vital speech three days away seems transparent as an excuse. It comes on top of a string of broken or refused gatherings with foreigners, the non-acceptance for three days last week of a telephone call from US President Bill Clinton and a profile so low that Mr Sergei Parkhomov of Sevodnya newspaper dubbed him "Mr Absent" in a recent article.

Other vital dates are being put off: the cabinet session to discuss the budget was put back from this Thursday to the coming week; potentially more seriously, the local elections set for spring may also be

delayed until summer or autumn because - according to Mr Sergei Filatov, the presidential chief of staff, in an Izvestiya interview - "people will be afraid to make the wrong choice".

What is going on? The rumours of heavy drinking, always recycled at times like these, are - say US sources - not a cause for real concern. But Mr Yeltsin is often a man in pain, the legacy of two crashes - in a car in Moscow and in an aircraft in Spain. He needs both treatment and drugs to allow him to work. How far that is a factor now is not known and will not be revealed. Information about the president has become scanty.

There is much for the president to withdraw and think about: there is a soup where an economic policy should be

The Moscow political world has discounted illness as an explanation. Mr Grigory Yavlinsky, leader of the Yabloko political grouping, a presidential challenger and according to the polls the most popular politician in Russia, believes that "he is simply invisible because he does not know what to do. There is no concept of how to go ahead in the economy or in the society. The parliament has no one with whom to relate - and its mood is not very hostile to the president, it just wants to know how to work with him."

The other proffered explanation is a more charitable one. Mr Alexander Mescheryakov, deputy editor of the mass-circulation Argumenty i Fakti and close to presidential circles, said yesterday that he believed

Mr Yeltsin was now in one of these periods of "withdrawal and reflection" - the kind seen after the August 1991 putsch, and again at the beginning of last year.

There is much to withdraw and think about, for Russia stands at the beginning of a period in which the choices of its president are critical to the further progress of political and economic reform.

First, there is a soup where an economic policy should be: Mr Yegor Gaidar the former first deputy prime minister, said yesterday that "there are very many contradictory features in what the government is trying to do". Mr Alexander Shokhin, now economy minister, seems to be trying to do everything at once: gathering together academicians of the late Gorbachev period to draw up plans for him; appointing such radical Gaidarites as Mr Sergei Vasiliev as his deputy minister; and confirming that he, not the academicians, are in charge of drawing up an economic reform plan.

Mr Victor Chernomyrdin, the prime minister and the second most powerful man in the country, is in the grip of an economic nightmare. In losing Mr Gaidar and Mr Boris Fyodorov, the former deputy premier for finance, he has lost men on whom he could pin the blame for the consequences of reform.

"Really," says Mr Gaidar, "the choices that must be made now are very, very difficult, the most difficult perhaps in the last two years."

Mr Chernomyrdin is wrestling with inflation already running at about 20 per cent a month, and a vast budget deficit is staring him in the face for the first quarter. Yet everyone is pounding him to give them more money. "Chernomyrdin is being pursued by three lobbies," says Mr Yavlinsky, "the military industrial, the agricultural and the

energy. And they all claim to be starving."

If the prime minister is to construct a defence against their demands, he needs a direction. Only the president can supply this, though he may be unwilling to do so, since he will not wish to be seen to be dictating a pace of change which is unpopular. Manoeuvring between these two men, who met for some time yesterday, is one reason for the delay.

Second, there is a gap where a constitutional framework should be. The deputies in the new parliament have begun a programme of work and, for the moment, appear in no mood for confrontation. The ultra-

Tatarstan may have been ceded effective powers over areas normally at least the co-responsibility of the centre

nationalist party of Mr Vladimir Zhirinovskiy, to whose great success in the December elections so much attention has been paid, is clearly undergoing internal convulsions as its deputies struggle to distinguish themselves from their threat-a-minute leader. The Communists and the Agrarians on the left stress constitutionalism and adherence to democratic ways. But they have no president with whom to co-operate or whom to oppose, no presidential programme to fulfil or to amend.

The most significant constitutional move in the new year has been the conclusion of a treaty between Russia and Tatarstan, its largest autonomous republic. Right in the centre of Russia, Tatarstan had declared virtual independence with its own constitution. Now a

treaty has, it is said, brought it back within the federation and stands as a model for other, difficult republics and regions.

But the deputies yesterday would have none of the treaty. "We were not able to see the six detailed agreements which went with the treaty, so how could we vote on it?" asked Mr Genady Zyuganov, leader of the Russian communists. From the vague wording of the treaty, it is possible that Tatarstan has been ceded effective powers over all taxes and other areas normally at least the co-responsibility of the centre in any federal state.

Mr Fyodor Shelov-Kovalev, the former first deputy foreign minister, said earlier this week that the Russian ministers negotiating the treaty "looked for vaguely worded formulas in the negotiations with Tatarstan which won't fool anyone but may lead to the break-up of the federation".

Mr Yeltsin, the guarantor of the integrity of the federation, a task he has made as "sacred" as Mr Mikhail Gorbachev made the retention of the Soviet Union, signed the treaty with Mr Mintimer Shaimiev, the Tatar president, and talked of a new era in relationships. But can he mean it?

Third, there is a puzzle where foreign policy should be. "We do not have a foreign policy, we have foreign reactions," says Mr Andranik Migranyan, a presidential adviser. Russia, which scored a rare diplomatic success this week in getting agreement from the Bosnian Serbs to pull back their artillery, was only stung into action by the unilateral declaration by Nato that it would stage air strikes against the Serbs' positions unless they withdrew.

A treaty with neighbouring Belarus is approaching completion, which would merge the two countries' economies and make Belarus a province of Russia in all but name. The radicals like Mr Gaidar and Mr Fyodorov see it as a grave threat to Russia's finances. But majority political opinion welcomes



it as a sign that at least one state cannot live without Russia. The Belorussians, in the main, seem to believe they have no choice.

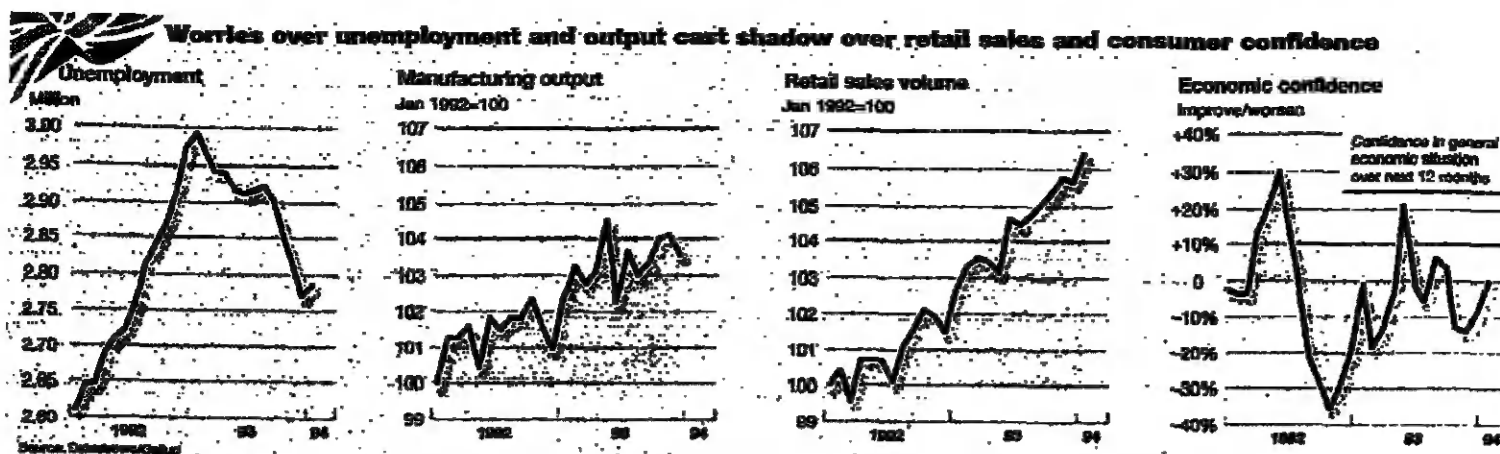
Throughout the former Soviet republics, there is a shuffling of feet and a turning back to Moscow by leaders who in some cases had called down curses upon the "imperial centre" and now, exhausted by wars or economic collapse or both, seem again willing to have Moscow

make the central decisions in their countries' lives. But in this movement there is a wide choice - between what many in the west fear is a neo-imperialist impulse (frankly espoused by Mr Zhirinovskiy's Liberal Democrats) and an eastern version of the European Community. Only Mr Yeltsin can define the strategic direction of a fledgling foreign policy; and he does not seem to have done so.

Slow slow, quick quick, slow

Philip Coggan and Emma Tucker
test the strength and durability of the UK recovery

"The main reasons for doubting the durability of the present recovery appear to be: uncertainty about the strength of world recovery, and of Britain's ability to improve its trading performance, a belief that the recent consumer boom will fade away without triggering a new cycle of increased investment and general worries about the future of wage inflation."



That view could easily sum up the current debate about the health of the UK economic recovery. In fact, the quote dates from a Financial Times economic survey of September 1993, just as the UK was embarking on its longest postwar boom.

As in 1989, the current uncertainty about whether the recovery is sustainable has been fuelled by apparently ambiguous economic indicators. After relatively buoyant figures released in January, statistics this week have shown that manufacturing output fell in December, while in January unemployment rose and bank lending was exceptionally weak. On the other hand, January house sales were up on January 1993.

Conflicting signals are the hallmark of the early stages of an upturn. In 1989, for instance, the domestic product rose by more than 3 per cent, but monthly manufacturing output figures showed falls on five out of 12 occasions and industrial production dropped on three.

It may seem hard to believe, but the UK recovery has already lasted as long - seven quarters - as the recession which preceded it. The trouble for the government is that the growth rate has been too slow to generate a "feel-good" factor among consumers. "This is what GDP growth of 1.4-2 per cent feels like - slow, halting and patchy," says Mr David Bell, economist at Business Strategies Limited, which studies regional economies.

The picture is confirmed by Mr

James Watson, chairman of NCF, the transport company whose fortunes are dependent on the general health of the economy. "Overall, we have seen a slow and steady improvement rather than a boom," he says. Mr Allen Yurko, chief executive of Siebe, a leading UK engineering group, adds: "We're not dismayed by the recent economic numbers and we believe the unemployment figures were a blip. There has been no downturn in our business recently."

Most economists believe that - in spite of all the gloom generated by this week's figures - the economy is still on the same, sometimes bumpy growth path. Mr Sudhir Jankar, associate director for economic analysis at the Confederation of British Industry, says: "You are seeing growth, but from a very low base."

The recovery has not been strong enough to allow manufacturing output to return to its pre-recession level. In December 1993 it was still 5.5 per cent below the peak month of March 1990; machine tool sales were little more than half the level in 1990.

The danger now for the economy is that tax increases in April will undermine consumer spending and so delay the economy's return to health. Last year's Budget changes mean the tax paid by a married man on average earnings will rise from £113.36 to £130.88 a month.

Recent statistics on retail sales have been sending out particularly mixed signals. This partly reflects difficulties statisticians have had in

making normal seasonal adjustments for Christmas and New Year shopping on December and January's figures. However, there is some indication of weakness already, even before the April tax increases. The figures suggest that consumer spending is patchy, with large retailers doing better than small ones and some stores being forced to make hefty price cuts to attract shoppers. January's retail prices index, for example, showed prices of goods such as furniture and electrical appliances, recorded their latest monthly fall since comparable records began in 1984.

Accordingly, the views of retailers on the outlook are mixed. Mr Nigel Whitaker, chairman of the Confederation of British Industry's distributive trades panel, says: "I don't believe that the pace of recovery is diminishing. There is no panic and gloom and doom out there. Most retailers say that by and large there is a reasonably steady pace of recovery."

But Mr John Bryson, centre manager of the Metro centre in Gateshead, says: "Sales just fell off the cliff after the middle of January. People had run out of money after a good Christmas and January sales period." The real fear of retailers, he says, is that the public have not realised by how much their disposable incomes will be cut.

Mr John Clare, chief executive of electrical retailer Dixons, says: "While the longer-term indices are suggesting that recovery is there, the market for

discretionary purchases, as opposed to food and other basics, is still very tough... The worrying thing is that when the taxes go up in April, it will be the first time that people have felt worse off for a long time."

"As we have come out of this recession, most consumers have generally felt better off. Now the government has decided to tackle its deficit and there is a danger that this will threaten the recovery considerably."

Estimates this week from the London Business School suggested that the impact of the tax increases in the next two financial years would be relatively mild, causing economic growth to slow to 2.2 per cent next year, from 2.5 per cent in 1994. Nevertheless, such growth rates would not be sufficient to bring down unemployment substantially, say, or to absorb idle manufacturing capacity.

The likelihood of only modest growth may tempt the government into cutting base interest rates, from the current 5.4 per cent, to offset the effect of the tax increases.

The Treasury is aware, however, of the risks of being buffeted by one month's set of figures, especially after the previous month's data had been stronger than expected - and the seasonal adjustments around Christmas are so unreliable.

One of the reasons why the Bank of England and the Treasury were so heavily criticised by City analysts for cutting base rates by a quarter of a percentage point last week was that there seemed no immediate need to

stimulate the economy.

For the Treasury, this week's figures are not sufficient evidence that the economic recovery is faltering. Similarly, Mr Peter Morgan, director-general of the Institute of Directors, says: "These are the figures for only the first month of 1994 and we must not fall into the trap of staging a monthly examination in which we pull up the plant to see whether the roots are growing."

But that has not stopped some economists calling for immediate action to propel the economy on to a faster growth track. Professor Wynne Godley, one of the six advisers to Mr Kenneth Clarke, the chancellor, says the government should put less emphasis on using interest rates to try to maintain some sort of currency parity with other European Union countries.

"People seem to forget that the US had a tremendous cut in interest rates a long time ago, as did the Japanese. We mustn't be imprisoned by the daffodils of the French and Germans but should pursue US-type policies which have been shown to produce growth while not being inflationary," he says.

As yet there is little sign that either the Treasury or the Bank of England favours such an aggressive policy. They are happy for now with a low-growth, low-inflation economy. Observers will have to get used to monthly economic figures which point to a less than exhilarating return to growth.

Burma's detained opposition leader poses a dilemma for the junta, writes Victor Mallet

The lady's not for turning

Most of her compatriots still believe in her, foreigners still admire her, and the military junta which put her under house arrest four and a half years ago still does not have a clue what to do with her.

The events of this week have confirmed that Ms Aung San Suu Kyi, the detained Burmese opposition leader, is both the only credible voice of her country's battered pro-democracy movement and the main obstacle preventing the junta from gaining international respectability.

Mr Bill Richardson, the US congressman who visited Ms Suu Kyi this week and took her a letter of unqualified support from President Bill Clinton, left in no doubt that her commitment to bring democracy to Burma had not been blunted by captivity.

"She is a woman of towering intellect and strength of conscience," he said, noting that she rose daily at 4:30am to exercise and meditate. "As an American politician I would hate to run against Aung San Suu Kyi."

Burmese politicians feel the same: her party, the National League for Democracy, won 80 per cent of the seats in a national election in 1990 even though she and other NLD leaders were already under arrest.

The armed forces, which had killed hundreds of civilians during an uprising two years earlier, were convinced their allies would win at the polls. Agast at the NLD victory, they decided to ignore the result and continue ruling Burma through the junta, the State Law and Order Restoration Council (SLORC).

In many ways, the SLORC is more secure than at any time since it was formed in 1988. Ethnic rebel groups along the borders - such as the Karen and the Kachin - have been pressed by their former patrons in Thailand and China into negotiating ceasefires with the SLORC after decades of guerrilla warfare.

The economy, boosted by private-sector investments from Singaporeans, Thai and western companies, is beginning to recover from a long period of stagnation and decline. Asian governments, particularly China and Singapore, are scornful of western concerns about human rights in Burma and sell weapons to Rangoon.

Outspoken opponents of the regime have been jailed, driven into exile or terrified into silence. Burma's generals, however, want more: they want foreign aid from Japan and the west, and they want recognition for their ham-fisted attempts to engineer a new constitution that would allow them to run the country in a less overt way than they do today.

The continued detention of Ms Suu Kyi, winner of the 1991 Nobel Peace Prize, makes any improvement in foreign relations which could lead to infusions of western aid improbable. If the SLORC releases her, on the other hand, it fears she would immediately become the focus of a new pro-democracy uprising. She refuses to win her release by agreeing to go into exile.

Faced with this dilemma, the SLORC has dithered. Last month Lt-Gen Khin Nyunt, the intelligence chief known as "Secretary-1" who is regarded as the most powerful member of the junta, led Japanese journalists to believe that Ms Suu Kyi might be freed in July after five years of detention.

Burmese officials promptly denied she would be released, but the junta removed the ugly pictures guarding her house on University Avenue.

Then Mr Richardson was allowed this Monday to pay her a visit - the first by a foreigner apart from her English husband and children - with all the attendant publicity such a meeting entails. Ms Suu Kyi sent a message to her supporters: Be courageous and democracy will win.

Mr Richardson also met Lt-Gen Khin Nyunt, who told him that a final decision about her detention had not been taken. The next day, Col Kyaw Win, Lt-Gen Khin Nyunt's deputy, announced that she would be held at least until next year.

Backed by the Clinton administration, Mr Richardson took up Ms Suu Kyi's suggestion that she should have talks with the SLORC as a way of trying to resolve the stand-off between the armed forces and their opponents.

Li-Gen Khin Nyunt replied that the SLORC would consider a meeting between himself and Ms Suu Kyi as long as it was not a "political dialogue".

But it is hard to see what the SLORC could hope to gain from such an encounter. She has long expressed a desire for talks, and the meeting would therefore be seen as a victory for her as well as recognition of her standing in Burma and abroad.

Some of her former NLD colleagues have been bullied into participating in a national convention organised by the SLORC, charged with rubber-stamping a new, pro-military constitution and electing delegates to stand up for democracy was jailed for 20 years.

But Ms Suu Kyi, daughter of Gen Aung San, who led Burma to the brink of independence from Britain, in public would doubtless dismiss the convention as "an absolute farce" as she did during her meeting with Mr Richardson. That would contradict the SLORC's relentless propaganda and embarrass Asian governments such as Thailand's, which profess admiration for the junta's "democratisation" process.

Whether the SLORC decides to free her or continue detaining her without trial, and whether or not Lt-Gen Khin Nyunt decides to meet her, there is no indication that the junta is prepared to yield any power to the democratic opposition. It is equally unlikely that Ms Suu Kyi will abandon her democratic ideals.

Luxury for the not-so-old and stately

The world's elite hotels continue to attract commercial interest, writes Michael Skapinker

The moneyed guests who pour through the marble lobbies and ankle-deep carpets of the world's luxury hotels will have felt a tremor of apprehension at the news that the Aga Khan's sumptuously appointed Ciga group of Italy is to pass into the hands of the Sheraton chain.

How such venerable establishments as the Grand in Rome and the Danieli in Venice will fare as part of an international chain is as yet unclear. So is the question of how Sheraton can make a financial success of a deal for which it is paying £190bn (£265m) - a sum that has astonished the industry.

For the UK hotels group which together with international financier Mr George Soros offered £270m for Ciga, conceded defeat when it heard how much Sheraton was prepared to pay for a company which lost £195.43bn last year. Mr Alan Hopper, chairman of leisure consultants Pannell Kerr Forster, said: "We just cannot see the commercial logic of the Sheraton offer."

Many in the industry wonder whether Sheraton, which is owned by IIT of the US, was simply seduced by the prospect of adding prestigious Ciga hotels to its portfolio. IIT says it will not talk about Ciga until

the deal is finalised, which it expects to take a few weeks.

Other hoteliers have found the allure of the world's elite establishments too great to resist. Lord Forte, founder of Forte, spent much of the 1980s in a battle to buy the Savoy group, which owns properties including the Savoy, Claridge's and the Connaught in London.

Forté ended up with a majority of Savoy's shares but a minority of voting shares and continues to express a desire to take full control.

It is not just the commercial logic of owning Ciga that can be questioned, however. Some industry observers wonder why anyone would want to own luxury hotels at all. With companies insisting on tighter control of travel costs, many executives are avoiding the best-known luxury properties and opting instead for more modest hotel accommodation.

A senior manager at one of London's most prestigious establishments says it does not matter what discounts or special deals he offers guests: the hotel's name is so redolent of expensive living that no cost-cutting campaign could remain credible if it would go round a company that its chief executive was staying there.

While other luxury hotel groups have done better than Ciga, few have turned in

strong financial performances recently. The Savoy group announced a £1.75m pre-tax loss for the first half of 1993.

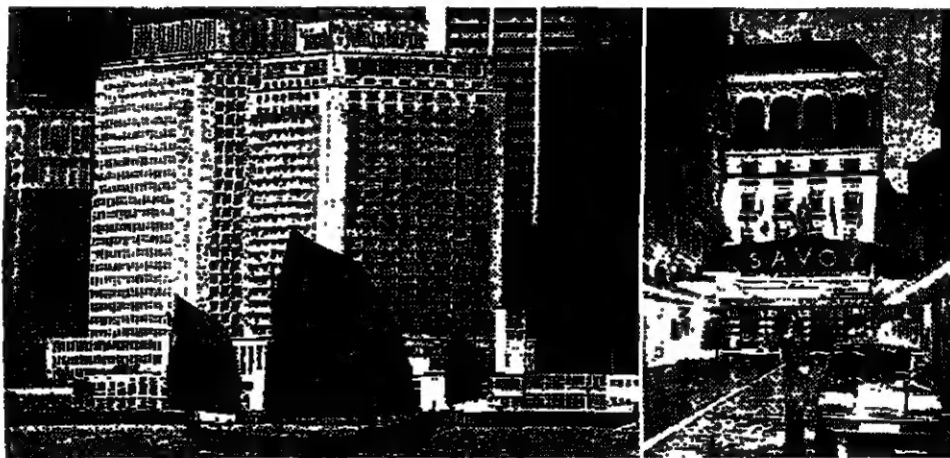
Four Seasons Hotels, the Toronto-based luxury hotel operator, saw net earnings for the first three-quarters of 1993 fall to \$35.2m (\$2.65m) compared with \$36.1m the previous year. The company said it planned to sell six hotels, including the Four Seasons, formerly the Inn on the Park, in London, to reduce its \$335m debt. And Mandarin Oriental, the Hong Kong-based luxury hotel company, announced a 2 per cent profit increase to \$19.5m for the first half of last year, which was below expectations.

Some of the luxury hotels' weaknesses are cyclical and attributable to the recession in North America and Europe. Mr Roger Garland, Four Seasons executive vice-president, says: "It's been a miserable market for three years. The Gulf war disrupted business travel and it didn't come back quickly."

Mr Giles Shepard, the Savoy's managing director, adds that it is more difficult to trim a luxury hotel's operating costs than those of cheaper

Luxury hotels cannot cut jobs or refurbishment costs without losing guests

improves, or whether companies' travel cost-cutting has become permanent. Mr Garland says there are already signs of guests returning. Four Seasons, the world's biggest luxury hotel operator, saw such an improvement in North American business last year that it increased room rates by up to 12 per cent. The group's hotels in Asia have



The good life: the Mandarin hotel in Hong Kong and (right) the Savoy in London

establishments. He says: "Providing services such as valeting, beds being turned down and curtains being drawn all costs money and needs people to do it."

Luxury hotels cannot cut staffing levels or refurbishment costs without losing guests. Mr Shepard adds: "In an ideal world, when you walk into a hotel room you want to feel you are the first person to use it."

The question for luxury hotel operators is whether guests will return and rates rise as the world economy improves, or whether companies' travel cost-cutting has become permanent.

Mr Garland says there are already signs of guests returning. Four Seasons, the world's biggest luxury hotel operator, saw such an improvement in North American business last year that it increased room rates by up to 12 per cent. The group's hotels in Asia have

also enjoyed an improved performance. Mr Hopper of Pannell Kerr Forster says that, in spite of the Savoy's troubles, business is also looking up for London's luxury hotels, although continental European cities are still depressed.

He says that London's luxury hotels made \$30,000 operating profit per available room last year, up 25 per cent on 1992. London luxury hotel occupancy was 67 per cent last year - a 6 percentage point up on 1992. However, achieved room rates - the prices guests actually paid - fell to £178 a night from £184 in 1992.

But the crucial measure for hoteliers is the revenue divided by the total number of rooms, whether occupied or not. In London's luxury hotels, this increased last year to £130 a night from £108 the year before. Mr Hopper says the average for all London hotels was only £55.

Mr Richard Lovell, executive vice-president for northern Europe and Asia at business travel agents Wagonlit, says

there will always be guests who want luxury. He adds, however, that the luxury market will be far more competitive than in the 1980s and hotels will have to provide something special to succeed.

Ms Jill Kluge, Mandarin Oriental's group communications director, says her company has introduced exclusive business floors at its hotels in Singapore, Manila and Jakarta. These have their own check-in and check-out facilities, lounge providing complimentary food throughout the day, and facsimile machines in every bedroom as a matter of course rather than on request.

In spite of the difficult conditions faced by operators in Europe, Mr Garland believes it needs additional luxury hotels - but of a different sort. Too many European hotels are old, stately and badly run, he says. "The problem is that the customers are not old and stately. They are aggressive, hard-working people who need faces that work and their suits cleaned overnight and sandwiches at 2am."

A gap in understanding

From Mr Chris Dillow. Sir, Why does Samuel Britan continue to waste his time on the fool's errand of attempting to measure the output gap ("The enigma of the output gap", February 16)? The very fact that estimates of the gap vary between 1.5 per cent and 7 per cent should be sufficient to discredit the concept.

First, the wide divergence of these estimates draws attention to the fact that we simply do not have the information - on capital scrapping, production functions or the degree of mismatch between capacity and demand - to make reliable estimates of the gap.

Second, if we do not know the size of the output gap, then we cannot test the hypothesis that it is a central determinant of inflation. In giving publicity to these wild goose chases, Mr Britan is reinforcing the public impression that economists have nothing to contribute to an understanding of the world. Could his considerable talents in future be used to address questions where an answer is at least possible? Chris Dillow, UK economist, Nomura Research Institute, Nomura House, 1 St Martin's-le-Grand, London EC4A 3DF

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Student loans not real success

From Ms Colette Mason. Sir, In your article "Student loan 'success' hailed" (February 17), I was quite stunned at higher education minister Mr Tim Boswell's apparent ignorance of the average student's financial position. Grants have been frozen and entitlement to most benefits removed since the late 1980s. Students' real income has taken a remarkably heavy bat-

tering and the sluggish economy has removed a great proportion of the potential to supplement income through part-time employment. Therefore, it is hardly surprising that individuals have had to augment their income with these loans. Thus, the take-up rate indicates very little evidence of a "success". I left university with £1,500 worth of debt and am jobless.

This worries me. However, what worries me more is that higher education resources inevitably will be misallocated more and more to those who can afford to buy them rather than to those with true academic potential. Colette Mason, 23 Chestnut Grove, Higher Trimmers, Birkhead, Wirral L49 0LB

Standard response

From Mr Nicholas Beale. Sir, Am I alone in finding the spectacle of the chief executive officer of Motorola waving his latest gadget and complaining that it is "unfair" that the Japanese are not buying it a little unedifying (World Trade News, February 17)? As Lars Ramqvist, the CEO of Ericsson, showed clearly in his Innovation Lecture at the Royal Society on Tuesday, the proper approach to selling to Japan is to make systems compatible with their standards. Motorola, by contrast, applied political pressure to get Japan to adopt the US standard alongside its own system and now whinges when the Japanese prefer to buy their own standard to one forced on them. Nicholas Beale, 3 Berkeley Square, London W1X 5BG

Reorganisation could be the death knell of local democracy in Wales

From Mr Brian Maurice. Sir, Joe Rogaly's comments on the Tory party's attack on local government are as accurate as they are belated ("Dustbin-lids to the fore", February 15). A steady erosion of local democracy was seen between 1979 to 1984, and reorganisation legislation for Wales and Scotland, currently before parliament, could well prove the death knell.

Here in Wales particularly the overt injustice of success by opposition parties in local elections time and time again being matched only by the aggrandisement of government-appointed quangos makes a mockery of democratic pretensions.

As one who has served in elected office since 1981 and who disappointingly was allowed a walk-over last year in what had been originally a Conservative seat, I can only conclude that the route to local power through elections has now been abandoned by that party in favour of patronage

and sycamore with its attendant association in Wales of secrecy and disrepute.

We have been allowed no Local Government Commission by our Whitehall-imposed secretary of state and consultation and public debate over proposals for reform now in the Lords have been superficial.

Joe Rogaly comments that in England if blood still ran red it would be in mid-revolution, and such a remark applies equally to Wales.

In many cases for the first time, supporters of local democracy in Wales are beginning to wonder if the nationalist and republican homes of the Celtic world are not more appropriate than the current scenario of unaccountable bodies often manned by imported placemen lauding over ineffective military authorities. Brian Maurice, councillor, Gwent County Council, County Hall, Cwmbran, Gwent NP23 5XH

Executive share options: value should be clear at the time they are granted

From Mr Alan M Jades. Sir, Your leader, "Lining the executive nest" (February 14), concludes that stock options and the levels of executive remuneration must be a matter for shareholders to resolve. Reporting on the levels of gains derived by an executive from the exercise of an option does not always help to inform shareholders as the the appro-

private levels of options to grant. Shareholders need to know the value of the options at the time they are granted. There is an obligation under company law to disclose the estimated money value of options granted to directors in the accounts of the company covering the period of grant. If not so disclosed there is an

obligation on the auditors to include in the audit report a statement of the required particulars so far as they are reasonably able to do so. I am not aware of any UK company complying with its obligations. It is not coherent to claim that options cannot be valued when the value of traded options is reported on a daily

basis and "fill the blank" option pricing calculators and computer models are available to any investor. Perhaps if proper disclosure of the value of the option grants were made, the focus of the media, and shareholders, would be more properly on the value of emoluments rather than on gains arising at the time of exercise of the

options. Other share based remuneration strategies would then be explored by companies. In order to align the interests of directors with those of shareholders. Alan M Jades, Bacon & Woodrow, actuaries and consultants, St Olaf House, London Bridge, London SE1 2PE

COMPANY NEWS: UK

Gestetner to cut gearing via £16m placing

By Simon Davies

Gestetner, the distributor of office equipment and photographic supplies, yesterday raised £16.2m net from a placing of shares aimed at reducing gearing and providing capital for potential small acquisitions.

Mr Stephen King, finance director, said the board had decided the group was undercapitalised following a 265m drop in shareholders funds last year. The cash from the placing of 9.09m new shares at 180p, a 5 per cent discount to Thursday's closing price, will reduce gearing from 66 per cent to 53 per cent.

The issue, arranged by James Capel, is underwritten by Schroders.

The shares fell 8p to 181p yesterday.

Gestetner is emerging from a troubled period. It announced a pre-tax loss of £33.2m for the year to October 1993, reflecting exceptional losses of £25m to cover restructuring.

This represented the attempts of a revamped board of directors - comprising Mr David Thompson, former Rank Xerox chairman, and three directors from Inchcape - to reduce costs and refocus on the

core office equipment business.

Gestetner said at the time that a main objective for the current year was the reduction of debt, and this could fall more substantially through conversion of outstanding 6.75 per cent convertible loan stock.

In May 1993, when Inchcape, the international distribution and marketing group, took a 15 per cent stake in Gestetner from Chiltern, an Australian company, it bought an additional option to purchase its holding of convertible loan stock.

Conversion of this stock would increase Inchcape's stake to close to 25 per cent, and would reduce Gestetner's gearing to 30 per cent.

Inchcape's effective conversion price is 172p, and most brokers expect it to take up the option, which expires on July 1. Conversion can take place up to September 1994.

Mr King said operating conditions remained tough for Gestetner, although sales were in line with expectations. "We're not planning on market expansion in any areas we operate in," he said.

Brokers expect some further development of Gestetner's distribution network, but no significant investment.

St Michael sees his future in the cards

Alison Smith on Marks and Spencer's plan to extend the activities of its financial services arm

If credit card issuers had not asked so much in fees that Marks and Spencer was not inclined to accept them in their stores, then St Michael might not be on the brink of becoming the patron saint of pensions as well as of clothes and food.

Over the past 10 years, the UK's most profitable retailer has developed from issuing its own charge card, through making personal loans and unit trusts, to announcing earlier this month that next year it will enter the pensions and life assurance market.

Mr Keith Oates, now joint managing director, has been at the forefront of devising M&S's strategy for financial services throughout that time: he was the first employee of M&S Financial Services, the growth of which is reflected in its contribution last year of £24m to the group's pre-tax profits of £712.5m.

For him, a critical experience in developing the strategy came on a visit to Sears, Roebuck, the US retailing giant. Mr Oates recalls that although Sears, Roebuck had concluded - as M&S was to do - that the way forward was for a retailer to have its own financial services, its operations did not communicate with each other.

"There was no flow between them, they couldn't see how the whole thing could be integrated," he comments.

Sears, Roebuck has since been disintegrated itself from the sector: the US group took several steps last year to scale down its involvement in financial services.

It was apparent early on, however, that M&S Financial Services was not going to make the mistake of not communicating.

What started as an operation to issue a charge card, in order to save the percentages of purchases passed on to credit card

M&S's high credit rating put it in a strong position to lend to customers at competitive rates

issuers, quickly became a greater design as the organisation saw the possibilities in the data it could accumulate about its customers from their use of the card.

"We looked at it two ways," Mr Oates says. "We could save

BREAKDOWN OF RESULTS (£m)						
	1993	1992	1991	1990	1989	1988
Pre-tax profit	712.5	602.3	597.5	660.3	517.8	497.5
Commercial	24.0	21.2	18.0	13.3	11.4	4.2
Fin Act	736.5	581.1	615.5	647.0	529.0	501.7
Turnover	5,940.9	5,729.3	5,683.3	5,527.5	5,057.0	4,531.7
Retail	102.9	98.2	91.5	80.8	84.5	45.9
Fin Act	5,838.0	5,631.1	5,591.8	5,446.7	4,972.5	4,485.8
Total	5,950.8	5,827.5	5,774.8	5,608.3	5,121.5	4,577.6

these very large costs, and if you allowed the other cards in, you hadn't got the database, it was their database."

Commercially, Mr Oates's enthusiasm for this information is impressive: from the point of view of a personal customer, however, it is slightly chilling to imagine the dossier on purchases and spending habits being built up in M&S's systems.

Once the M&S charge card had reached a reasonable level in the late 1980s, a move into personal loans was seen as "the logical extension", first for larger M&S purchases as the store moved into furniture, and then more generally. M&S's high credit rating put it in a "strong position" to lend to customers at competitive rates.

A unit trust management company followed in 1992, but despite the steady climate of the housing market during the 1980s, M&S decided against moving into mortgages and estate agency.

It is a decision the company is pleased now that it took. "We've gone as far as we want to in straight borrowing," is Mr Oates's view. "Mortgages would be quite unsuitable for M&S, they would blot the balance sheet. We could sell the debt, but then we would lose most of the profit."

Nor are the concerns entirely financial: he is keenly aware of the wider disadvantages of entering an area which could end in M&S having to repossess property from some of its customers.

But entering the life and pensions market, where complex products require long-term commitment both from the organisation and the investor, carries its own risks of disadvantage.

The sector, as many practitioners will testify, is going through a period of uncertainty and change. There is a danger that a poor performance could have an adverse impact on the brand

image of the M&S retailing business.

It already sounds odd, for example, despite the explanation that M&S's two unit trusts were designed to give a spread of risk-averse investment for the "building society type of customer making a first move into equities", to hear Mr Oates say of their average performance that "it was never our aim to be number one".

Even so, some of the advan-

The company plans to offer the new life and pensions products in about six stores from early next year

tages that M&S will have are clear.

Its financial advisers will be salaried and receive no commission or incentive to sell, in a move intended to intensify the confidence it is likely to inspire anyway as a read-

across from its high street presence. In an industry where many consumers are, perhaps, increasingly inclined to distrust advice, that could be a powerful attraction.

Similarly, its stated intention of focusing on better surrender values and devising innovative products, suggests that it could be well-placed to give some existing providers a run for their customers' money.

The Equitable Life Assurance Society will be involved in product development and training plans, and will also provide consultancy and systems support. M&S has not yet decided the critical question of who should do its fund management, nor what the objectives should be.

But there is still the question of scale. The company plans to offer the new life and pensions products in about six stores from early next year, rising to only 50 by the end of 1995.

Mr Oates is clearly unhappy with the description of M&S Financial Services as a "niche" player in the market. But he is not interested in competing directly with the banks.

"We are first and foremost a retailer. Our financial services arm ought to be allowed to expand as it thinks fit without disturbing the plan for the whole group," he says. The limits of that expansion could be determined by the success of the new venture.

Allied-Lyons disposes of coffee activities to concentrate on tea

By Maggie Urry

Allied-Lyons is breaking with its past through the sale of its coffee operations, thought to be worth about £20m.

The Lyons coffee brand was established 90 years ago and coffee drinking has been growing relative to tea drinking. However, Allied-Lyons has decided to concentrate its "hot beverages" activities on its Tetley tea business.

The group, which includes wines and spirits, brewing and retailing as well as food manufacturing, said that Tetley had a better international spread and was the predominant part of its hot beverages operation.

It has 26.3 per cent of the UK tea market by value.

The coffee activities are being divided into two, instant and real. At present the two are located on the same site at Greenford, Middlesex, but

are in separate factories.

The instant coffee business, employing about 400 people, is being sold to Kraft Jacobs Suchard, part of Philip Morris, the US food group, which already owns the Kenco and Maxwell House brands.

KJS has 24 per cent of the UK instant coffee market and the acquisition of the Lyons business, which largely makes for own-label customers, will give it a further 11 per cent.

While KJS said the deal was subject to the approval of the Office of Fair Trading, it took comfort from a 1991 Monopolies and Mergers Commission report which cleared Nestlé, which has 55 per cent of the instant coffee market, from acting against the public interest.

KJS said the deal would make it a more effective competitor to Nestlé. It would still have the

Lyons name for instant coffee.

The real coffee side is being bought by Paulig UK, part of the large Finnish food group, which already owns the Melitta coffee brand in the UK.

Paulig UK also announced the appointment of Mr Richard Hancock as managing director. He said the deal would give Paulig UK more than 20 per cent of the real coffee market in the UK making it the market leader.

Paulig is looking at moving production from Greenford, where 100 people are employed on the real coffee side, to its own plant in Wimbledon, south-west London. Some jobs could move with the work.

Allied-Lyons merged its UK and international hot beverages activities last year, and the business has since undergone a thorough review which resulted in the decision to sell the coffee side.

Expansion plan for David Lloyd

By Tim Burt

Shares in David Lloyd Leisure rose 5p to 240p yesterday after the tennis and health club group announced a large-scale expansion plan.

The strategy follows an 84 per cent increase in pre-tax profits to £5.67m (£3.1m) in the 12 months to September 30.

The company said that the expansion could double the size of the group and would be financed from the proceeds of last year's £13.3m flotation.

Mr David Lloyd, chairman, said the group was involved in negotiations to develop a number of new clubs around the country.

He told the group's annual meeting yesterday: "Premature disclosure of these sites would unnecessarily place the company in an exposed position in relation to local competitors."

He confirmed, however, that it was hoping to build clubs in Birmingham and Bristol. The company already operates six clubs in London and the home counties, one in Glasgow and one in Eastbourne.

"Meanwhile, I am pleased to report that current trading is particularly encouraging," Mr Lloyd added. The shares have climbed steadily since flotation last year when the company came to the market at 150p.

Atkins' shares decline 11% following profits warning

By Peggy Hollinger

Shares in Atkins Group fell 11 per cent to 139p yesterday as the hosiery manufacturer warned that net profits would be substantially lower this year because of a sharp slowdown in trading during the final quarter.

Mr Andrew Freeman, chief executive, said Atkins had been enjoying "a rip-roaring nine months" and had increased operating costs to meet the increased demand. However, sales had slowed dramatically since the new year holiday.

Mr Freeman stressed that the difficulties were "not terminal. We are still enthusiastic

and encouraged about our prospects."

During the year Atkins had increased its share of the depressed hosiery market, he said, and now claimed a 7.5 per cent share in the UK. About 60 per cent of Atkins' sales are in hosiery.

In 1993 the group made pre-tax profits of £448,000 for the year to April 3, against a loss of £227,000 in 1992.

Gearing at the year end was expected to rise from an exceptionally low 17 per cent to 40 per cent. Last year the group benefited from asset disposals and low stock levels.

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No probe into bid for Anglia

By Raymond Snoddy

Mr Michael Heseltine, trade and industry secretary, has cleared the £292m bid for Anglia Television by MAI, the television and financial services group.

Mr Heseltine said yesterday that the bid would not be referred to the Monopolies and Mergers Commission following undertakings given by MAI.

The undertakings are the same as those obtained in Carlton Communications' acquisition of Central Independent Television and Granada's hostile bid for London Weekend Television.

Under the terms of the undertakings MAI must reduce its involvement in television advertising sales to below 25 per cent of the total television market.

This could mean disposing of stakes in sales houses or terminating sales contracts.

The 25 per cent barrier can be marginally exceeded to allow enlarged companies like MAI to sell advertising for smaller ITV companies which might be disadvantaged because of lack of clout in the advertising market.

The Independent Television Commission is now reviewing its position on how large a slice of advertising revenue a single ITV company can control.

HSBC selling Italian holding

By John Gapper, Banking Editor

HSBC Holdings is selling its 56.6 per cent stake in Euroemobiliare, the Italian investment bank, to Credito Emiliano.

HSBC said it had agreed in principle to sell the stake, which it acquired through the

takeover of Midland Bank in 1992, for about £56m (£22.6m). It added that negotiations were continuing, and no date for a transfer had been set.

Euroemobiliare did not fit with its broader investment banking business, HSBC said. Euroemobiliare has capital markets and treasury operations,

as well as asset management, but is concentrated in domestic Italian business.

Euroemobiliare shares slipped from a trading level of £4.95 after HSBC disclosed that it had agreed with Credito Emiliano a price of £2.800 per ordinary share, and £1.830 per non-convertible preference share.

Bullers to raise £2.6m for purchase

By Nigel Clark

Bullers, the giftware, fine art and decorative products group, is raising £2.6m net through a placing and open offer to fund an acquisition. At the same time it is undergoing a capital reorganisation and debt conversion.

It is buying Clashfleet, a media services company, for a maximum £2.8m, to be satisfied in cash and shares. The purchase will form the core of a new media division.

Most of Clashfleet is made up of a company operating as Wiseman, which in the year to May 31 1993 incurred losses of £280,000 on turnover of £3.3m. It then had negative net worth of £500,000.

Under the capital reorganisation the 1p shares are being split into 0.01p ordinary and 0.50p deferred. The ordinary shares are to be consolidated into 10p shares. The 4.2 per cent cumulative preference shares

of £1 are being consolidated into 55 shares and split into 13 new ordinary and 470 deferred of 1p.

It is the company's intention to cancel the deferred shares and the share premium account leaving the deficit on the profit and loss account at £1.4m.

Under the placing and open offer 26m new shares are being issued at 11p, of which 6.51m will be available to shareholders at a rate of 33 new ordinary for one new ordinary.

Part of the cash raised will be used to buy out the leases on equipment operated by Wiseman. The rest of the purchase, involving an initial payment of £900,000 and a profit related payment to a maximum of £1.1m, will be satisfied by new ordinary shares.

As part of the acquisition Clashfleet is paying Bullers £703,000 in preference shares for equipment.

Marmara Bank, which has advanced £1.75m, is converting £268,000 into preference shares and £980,000 into new ordinary shares. Marmara and Auric, an associate, will have a holding of 20.5 per cent. The companies are appointing three directors to Bullers.

Barclays, which is owed £1.1m, is converting £900,000 into a medium term loan. Bullers has recently been experiencing considerable difficulty. In the year to June 30 it reported a pre-tax loss of £1.4m on turnover of £2.4m with a deficit on net assets of £1.28m.

It is monitoring existing businesses with the intention of disposing of those which cannot be returned to profit. Caverswall, which has incurred significant losses, is being sold for a nominal sum and Michael Sully, which is not operating satisfactorily, is being considered for disposal or closure.

BBA in \$11m US expansion

BBA, the engineering group, is to construct an \$11m (£7.5m) national aircraft maintenance and service complex at Bradley International Airport in Hartford, Connecticut.

The new facility comes under the aegis of Signature Flight Support, BBA's aviation services subsidiary.

Signature is to be supported in the project by United Technologies of the US.

United Technologies includes Pratt & Whitney and Sikorsky Helicopters among its interests.

TDC sells Canvey Island tank facility

Transport Development Group, the distribution, storage, transport and hire company, has sold its London and Coastal Oil Wharves offshoot to Oikos.

L&C operates tank storage facilities for heavy fuel oils at Canvey Island, Essex. Proceeds amount to £2m. Any further proceeds will depend on the outcome of a rating appeal.

River & Mercantile net assets boost

The split-capital River & Mercantile Trust saw its net asset value advance 67 per cent - from 150.39p to 251.22p per cap-

ital share - over the 12 months to December 31.

Available revenue improved from £7.98m to £8.18m, equivalent to earnings of 10.17p (10.05p) per income share. The final dividend is again 2.49p, maintaining the total for the year at 9.2p; directors expect to announce the same distribution for the current year.

Amicable Smaller asset value rises

Net asset value per share of Amicable Smaller Enterprises Trust rose from 96.69p to 142.86p over the year to December 31.

Net revenue fell from £798,000 to £722,000 for earnings of 3.46p (3.83p) per share. Fully diluted earnings were 3.21p. The proposed final dividend is held at 1.7p for an unchanged total of 2.4p.

Summit reorganises share structure

Summit Group has completed a share capital reorganisation and made a £4m rights issue, which was oversubscribed.

Summit is an unlisted company involved in sales and leasing and the arrangement of finance to such areas as the medical and high technology sectors. Its principal shareholders comprise a number of big financial institutions including CIBC, Standard Life and Scottish Amicable.

Under the reorganisation, all of the group's preference and convertible preference shares have been converted into ordinary share capital and net assets have increased to over £40m.

Improved net asset value for Pantheon

Pantheon International Participations had a basic net asset value per share of 215.8p at December 31 1993, compared with 190.4p a year earlier and 211.1p at the June 30 year-end. Fully diluted, the figures were 215.8p, 177.7p and 195.5p respectively.

Available revenue for the six months to December amounted to £27,000 (£27,000 losses) for earnings per share of 0.51p (0.39p losses).

Anglo & Overseas lifts net assets 34%

Anglo & Overseas Trust, managed by Morgan Grenfell, had a net asset value of 506.6p per share at December 31, a rise of some 34 per cent on the comparable 1992 figure of 379.5p.

After the preference dividend available revenue for the 1993 year amounted to £2.8m (£2.89m) for earnings of 7.51p (7.76p) per share. A recommended final dividend of 5.4p brings the total for the year to 7.15p (6.85p).

Asphaltic buys 50% of Dominion

Asphaltic, the roofing materials distributor, has bought a 50 per cent stake in Dominion Alliance Holdings for an undisclosed amount.

Dominion, based in St Ives, Cambridgeshire, is a maker and supplier of metal fabrications, fire protection and roofing products. In 1993 it had turnover of more than £16m.

The Financial Times plans to publish a Survey on

Scotland

on Friday, March 18.

To advertise in the survey please contact:
Kenneth Swan in Edinburgh

Tel: 031-220-1199 031-220-1578

Financial Times, 37 George Street, Edinburgh EH2 2RN

FT Surveys

The Financial Times plans to publish a Survey on

Bangladesh

on Monday, May 9.

Focussing on Bangladesh's steadily recovering economy, the survey will also cover education, exporting and foreign aid.
For information on advertising costs and an editorial synopsis, please contact:

DAVID ROULSTONE: Tel: 071 873 3238 or
SAMANTHA BORG: Tel: 071 873 4816 Fax: 071 873 3595

FT Surveys

LONDON STOCK EXCHANGE

MARKET REPORT

Equities hit by big international bonds sell-off

By Steve Thompson

The UK equity market took flight at the latest retreat by the all-important US bond market, which impacted across international markets, and retreated to close sharply lower on the session.

At the close yesterday, the FT-SE 100 index was 42.7 lower at 3,382.6 and the FT-SE Mid 250 index was 28.5 down at 4,025.5. Over the week the 100 index rose 3.7 while the Mid 250 index fell 4.5.

There was a general feeling of deep unease across the markets with UK gilts on the slide again and down over 2 1/4 at the long end. US bonds were down a full point during London market hours and German bunds down over 1/4 of a point. Wall Street fell sharply also, retreating almost 40 points

before embarking on a rally. The market's malaise came directly from the performance of US bonds and Wall Street shares overnight when bonds were sold off heavily just before the close following a warning that US inflation could be about to accelerate.

The warning came from the Philadelphia Federal Reserve business outlook for February which said regional prices were moving up. The report fuelled strong speculation that inflation pressures could be building in the US.

Adding to the market's discomfort was a persistent rumour that one of the biggest US investment banks had been badly hit by the recent retreat in US bonds and was having to unload bonds and stocks across international markets. There were suggestions two

Account Dealing Dates		
First Dealing	Feb 14	Feb 28
Second Dealing	Feb 24	Mar 10
Third Dealing	Mar 11	Mar 21
Fourth Dealing	Mar 21	Mar 31

Now time changes may take place from two business days earlier.

weeks ago that Goldman Sachs had been badly wrong-footed by the markets and suffered exceptionally heavy losses. The investment bank denied the rumours. The equity market was under strong pressure from the outset, with the FT-SE opening down 19.7 points. A mild attempt at a rally followed the January money supply figures which prompted hopes of further cuts in UK interest

rates, but it quickly petered out.

Led down by the FT-SE future which traded at a substantial discount to the cash market all day, the 100 index fell away to a session low of 3,382.6 shortly before the close.

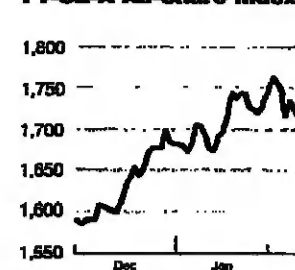
Senior marketmakers, although disturbed by the size of the fall in share prices, emphasised the orderliness of the retreat. "There was sizeable selling and some aggressive marking down by marketmakers, but it never ever resembled a panic," said the head of sales at one of the market's leading firms. Asked whether the London market would sell-off again on Monday, one leading marketmaker said the FT-SE would probably match any fall in the Dow Jones Average last night "point for point". Also affecting sentiment in the market was the expiry of the FT-SE

February index options and evidence of at least one and possibly two big sell programmes going through the market during the morning. And one of the market's most aggressive marketmakers was said to have taken a view of the market in mid-morning and unloaded heavy blocks of stock across the market.

Strategists said the FT-SE could well test its recent support level of 3,350 in the short term and would probably see 3,300 before it gets back to 3,500.

Turnover yesterday was a lowly 680.9m shares, giving credence to the view that marketmakers were reluctant to deal in the face of the uncertainties surrounding bond markets. The value of customer business on Thursday dropped to £1.4bn, the lowest of the week.

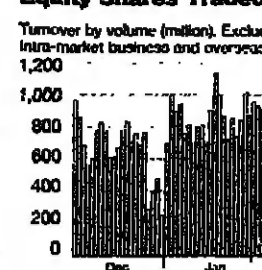
FT-SE-A All-Share Index



Key Indicators

Indices and ratios	Value	% Change
FT-SE Mid 250	4025.5	-28.5
FT-SE-A 350	1712.4	-18.5
FT-SE-A All-Share	1703.02	-18.07
FT-SE-A All-Share yield	3.33	(3.29)
FT Ordinary index	2606.9	-27.1
FT-SE-A Non Fin p/e	22.66	(22.93)
FT-SE 100 Fut Mar	3368.0	-58.5
10 yr Gilt yield	6.83	(6.51)
Long gilt/equity yield ratio	2.13	(2.13)

Equity Shares Traded



FT-SE 100 Index

Indices and ratios	Value	% Change
Closing index for Feb 18	3382.6	
Change over week	13.7	
Feb 17	3425.3	
Feb 16	3417.7	
Feb 15	3393.2	
Feb 14	3363.5	
High	3437.6	
Low	3350.2	

TRADING VOLUME

Major Stocks Yesterday

Stock	Vol.	Close	Day's Change
ADVA Group	4,000	69.5	+1.5
Admiral	1,800	81.5	+1.0
Admiral (US)	1,800	81.5	+1.0
Admiral (UK)	1,800	81.5	+1.0
Admiral (US)	1,800	81.5	+1.0
Admiral (UK)	1,800	81.5	+1.0
Admiral (US)	1,800	81.5	+1.0
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Admiral (US)	1,800	81.5	+1.0
Admiral (UK)	1,800	81.5	+1.0

EQUITY FUTURES AND OPTIONS TRADING

March Futures

Contract	Open	Settle	Change	High	Low	Est. Vol.	Open Int.
Mar 100	3382.6	3382.6	-58.5	3414.0	3347.0	15510	58568
Mar 350	1712.4	1712.4	-18.5	1745.0	1677.0	365	12443
Mar 1000	3402.0	3402.0	-58.5	3414.0	3387.0	0	330

NEW HIGHS AND LOWS FOR 1993/94

NEW HIGHS 1993

Stock	High	Low
ADVA Group	69.5	69.5
Admiral	81.5	81.5
Admiral (US)	81.5	81.5
Admiral (UK)	81.5	81.5
Admiral (US)	81.5	81.5
Admiral (UK)	81.5	81.5
Admiral (US)	81.5	81.5
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RECS HIT BY WORRIES OVER OFFER

Bearish rumours

Bearish rumours surrounding the regional electricity companies (RECs) sent shares across the sector sharply lower yesterday. Prominent among these was speculation that one of the sector's leading brokers was set to turn cautious on Monday. There was also talk that some RECs face losses from the decision last week by Ofwat, the industry regulator, to force National Power and Powergen to peg electricity pool prices. Some companies are said to have tied themselves into contracts with the generators at the old rate and now face selling on the electricity at the new lower rate. According to the more pessimistic versions, one of the RECs faces losses up to £20m.

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FT-SE 100

Index	Value	% Change
FT-SE 100	3382.6	-58.5
FT-SE 100	3382.6	-58.5

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Index	Value	% Change
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Index	Value	% Change
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Index	Value	% Change
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FT-SE 100	3382.6	-58.5

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FT-SE 100

Index	Value	% Change
FT-SE 100	3382.6	-58.5
FT-SE 100	3382.6	-58.5

FT-SE 100

FT-SE 100

Index	Value	% Change
FT-SE 100	3382.6	-58.5
FT-SE 100	3382.6	-

AUTHORISED UNIT TRUSTS

■ FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Page 1 of 2 Date: 1997-07-24 Time: 14:00 Page: 1 Page: 2

AUTHORISED UNIT TRUSTS

<div>Capital Care Unit Trusts Ltd - Contd.</div> <div>Capital Care Unit Trusts Ltd (1000</div>
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Germany	10.000	10.000
Japan	10.000	10.000
United States	10.000	10.000
United Kingdom	10.000	10.000
France	10.000	10.000
Italy	10.000	10.000
Spain	10.000	10.000
Sweden	10.000	10.000
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Denmark	10.000	10.000
Finland	10.000	10.000
Belgium	10.000	10.000
Netherlands	10.000	10.000
Portugal	10.000	10.000
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Soviet Union	10.000	10.000
Poland	10.000	

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[illegible]**Green**

NORTH AMERICA

UNITED STATES Feb 18 / USS

1. 1990年10月10日，在北京市举行的“1990年中国新闻奖”颁奖典礼上，中共中央总书记江泽民同志发表了重要讲话。江泽民同志在讲话中，首先向获奖单位和个人表示热烈祝贺，并指出，新闻工作是党的事业的重要组成部分，新闻工作者是党的事业的忠实记录者和参与者。他要求新闻工作者要坚持以马克思主义为指导，坚持党的新闻工作的党性原则，坚持实事求是，坚持全心全意为人民服务的宗旨，努力做好新闻工作，为改革开放和社会主义现代化建设事业作出更大的贡献。

2. 江泽民同志在讲话中还强调，新闻工作者要不断提高自身的政治素质和业务素质，要深入实际，深入生活，深入群众，了解国情，了解民情，了解社情，使新闻报道更加真实、生动、感人。他要求新闻工作者要勇于承担责任，敢于坚持真理，敢于同一切歪风邪气作斗争，维护党的声誉和国家的利益。

3. 江泽民同志的讲话，得到了与会新闻工作者的热烈响应。大家纷纷表示，要以江泽民同志的讲话为动力，进一步振奋精神，增强信心，努力工作，为党的新闻事业作出更大的贡献。

4. 江泽民同志的讲话，是中国共产党在新的历史时期对新闻工作提出的新要求，也是新闻工作者必须遵循的行动指南。新闻工作者要深刻领会江泽民同志讲话的精神实质，并将其落实到实际工作中去，使新闻报道更好地服务于党的事业，服务于人民。

5. 江泽民同志的讲话，也体现了中国共产党对新闻工作的高度重视。新闻工作是党的事业的重要组成部分，新闻工作者是党的事业的忠实记录者和参与者。中国共产党始终重视新闻工作，重视新闻工作者的作用，并不断提出新的要求，使新闻工作更好地服务于党的事业，服务于人民。

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EUROPE

[illegible]

INDICES

	Feb 10	Feb 17	Feb 18	High	Low
Argentine					
Argentina	24867.2	25470.4	25910.4	102/94	12187.08 8/2/95
Uruguay					
Uruguay (1/1/95)	2240.8	2240.8	2240.8	3/2/94	
Uruguay (1/1/95)	1904.8	1904.8	1904.8	1/15/94	1219.63
Brazil					
Brazil (3/1/94)	483.3	483.3	483.3	3/2/94	3002.1 1/4/95
Brazil (3/1/94)	1177.04	1184.11	1222.25	1/2/94	712.08 15/9/95
Colombia					
Colombia (7/1/91)	1538.19	1532.68	1542.88	1/2/94	1158.48
Costa Rica					
Costa Rica (12/1/93)	74	74	109.628	71/2/94	71.47
Cuba					
Cuba (1/1/95)	66	3536.37	3622.85	3624.93 1/2/94	2260.31 2/1/95
Cuba (1/1/95)	66	4407.26	4524.18	4526.25 1/2/94	3716.6
Cuba (1/1/95)	66	2079.58	2084.13	2182.25 1/2/94	1729.57
Dominican					
Dominican (1/1/95)	66	487.44	4887.28	4/1/94	2912.85 10/5/95
Ecuador					
Ecuador (3/1/93)	400.83	455.75	463.58	4/2/94	361.58 1/4/95
El Salvador					
El Salvador (1/1/95)	1102.0	1451.0	1825.0	187/22 4/94	843.18 22/1/95
Honduras					
Honduras (1/1/95)	1520.35	1520.35	1527.44	1888.20 2/2/94	1114.19 28/1/95
Honduras (1/1/95)	2251.19	2251.19	2261.32	2661.08 3/2/94	1772.23 2/2/95
Nicaragua					
Nicaragua (1/1/95)	822.86	820.81	855.51	4/1/94	598.92 14/1/95
Nicaragua (1/1/95)	2260.6	2263.4	2286.2	2420.00 1/1/94	1853.36 14/1/95
Nicaragua (1/1/95)	2161.97	2161.72	2163.89	2420.00 3/1/94	1519.89 13/1/95
Panama					
Panama (5/1/92)	1057.35	1000.41	1194.58		607.72 5/1/95
Panama (5/1/92)	1057.35	1000.41	1194.58	4/1/94	5437.58
Paraguay					
Paraguay (1/1/95)	3667.3	3667.3	4162.08		2105.97 23/4/95
Peru					
Peru (1/1/95)	554.76	554.76	574.82	612.88 5/1/94	273.35 5/1/95
Venezuela					
Venezuela (1/1/95)	2001.56	1994.08	2006.16 2/1/94		1191.15
Chile					
Chile (1/1/95)	889.03	882.79	888.52	680.00 18/2/94	448.35 6/1/95
Chile (1/1/95)	1192.0	1082.0	1170.0	1162.00 2/1/94	544.81 10/1/94
Costa Rica					
Costa Rica (1/1/95)	10052.11	21416.11	13399.3		18072.71 28/1/95
Costa Rica (1/1/95)	287.35	288.42	287.85	287.85	231/1/95
Costa Rica (1/1/95)	1553.11	1553.65	1555.10	1565.85 3/2/94	1250.60 25/1/95
Costa Rica (1/1/95)	2113.0	2112.80	2111.77	2241.48	1881.75 13/1/95
USA					
USA (1/1/95)	1086.73	1072.14	1091.73	1294.48 5/1/94	614.28 13/1/95

US INDICES

[illegible]

AFRICA

[illegible]

HONG KONG (Feb18 / H.K.S)

[illegible]

Feb 1992: Twelve Weighted Price (q) | Korea Composite All Indexes (q) | 1992 Composite All Indexes (q) | Canada and
 Index - 500: Asian Pacific, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664,

AMERICA

Dow plunges on free fall in long bonds

Wall Street

US stocks plunged yesterday morning as longer-dated US bond prices went into a free fall for the second day running, with the 10-year Treasury note falling 15 1/2 cents to 77 1/2.

By 1 pm, the Dow Jones Industrial Average was 31.80 lower at 3,890.84, while the more broadly based Standard & Poor's 500 was down 3.24 at 467.10. In the secondary markets, the American SE composite fell 1.11 to 471.07, while the Nasdaq composite fell to 785.98.

Volume on the NYSE was moderate, with 1.1 billion shares traded by 1 pm. Declines led advances, 1.51 to 1.00.

Two sharp swings in the

10-year industrial index during the previous session brought a subdued tone to the opening. Stocks drifted lower as investors mulled over the bond market's perplexing reaction to Thursday's conflicting signals on inflation.

In spite of a very favourable reading on consumer prices, traders had turned to focus on a second-tier regional report showing higher prices paid by manufacturers. Analysts interpreted the subsequent sell-off as the most convincing demonstration thus far of a change in sentiment among the Federal Reserve bank's staff in tightening monetary policy two months ago.

As the financial markets looked ahead to Tuesday's congressional appearance by the

Fed chairman, Mr Alan Greenspan, he slumped again.

By midday, the 30-year government issue was bid down 1 1/2 to 95 1/2, while sliding a point the three-day weekend approach, trading was thin, which exacerbated the extent of the fall.

Stocks followed closely behind, tumbling by 40 points before regrouping. Among individual issues, cyclical shares were hit hardest. Caterpillar fell victim to profit-taking, dropping 1 1/2 to 144.75. United Technologies was down 1 1/2 to 104.37, Chrysler slid 1 1/2 to 104.37, and Allied Signal fell 1 1/2 to 104.37.

Transportation issues also slumped, with the Dow Jones Transportation Index falling

8.39 to 1,790.12. AMR, parent of American Airlines, slid 1 1/2 to 104.37.

Blockbuster Entertainment was down 1 1/2 to 104.37, while the most active list, the stock slipped 1 1/2 to 104.37, on reports of shareholder anger at the falling value of Viacom's planned acquisition of the video-rental company, Paramount, which fell 1 1/2 to 104.37.

Viacom's B shares were off 1 1/2 to 104.37.

Brazil

Real Estate moved from mid-morning losses of around 5 per cent to a drop of 9.2 per cent in early afternoon position-squaring around 104.37.

Shares, down from 41.7m at the start of the session on Thursday.

Canada

Toronto weakened in parallel with the US equity market. At midday, the TSE 300 Composite index was 24.99 lower at 4,000.00.

Sector indices were generally down with particular weakness in industrials, and relative strength in oil and gas.

Noon volume was 1.1 million shares, down from 41.7m at the start of the session on Thursday.

6.80 to 1,882.40, also 0.80 per cent higher than the start of the session.

Turnover was up to SKr4.2bn from SKr2.9bn, with activity in Volvo accounting for nearly half of the total.

ATENS moved upwards on prospects of a peaceful conflict, leaving the general index up 36.94 to 1,067.35, and 1.1 per cent higher across the board.

Turnover was estimated at Drbn, with construction companies outperforming the market with rises of 1.5 per cent.

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Milan defies forecasts of political turbulence

Haig Simonian on a strong Italian performance

This surprise cut in the German discount rate, which was followed by a similar move from the Bank of Italy, gave the increasingly overburdened screen-based trading system a workload it hardly needed.

Spurred by the privatisation boom and the steady fall in international interest rates, US policy notwithstanding, the Comit share index has risen by 11 per cent so far this year and 1.3 per cent in the past week.

Meanwhile, daily equity turnover, arguably an indicator of sentiment, has soared. For a number of days this month, trading easily exceeded 1.000bn (999m).

For brokers brought up on the market's previous lowly volume, let alone the nadir of the 1992-93 - such activity was virtually unthinkable.

This year's strong performance has led the pundits who, as recently as last December, were recommending a bearish outlook for the Italian market.

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top followers are expected to take the market to the City of London at a seminar arranged by a merchant bank.

Political uncertainty has been eased by the arrival on the political scene of Mr Silvio Berlusconi, the media magnate. If polls are to be believed, Mr Berlusconi - Italy's answer to Mr Perot, the US presidential candidate - could make a

upsets and continuing corruption revelations, are taking a longer term view. For US buyers riding the strong dollar, Italian shares are rather cheap.

The focus on recovery attention has switched from former star performers such as Benetton, bought on the basis of strong export prospects, to cyclical firms which could benefit from the upswing.

That led to heavy rises in industrial blue chips such as Fiat, Pirelli and Olivetti, in spite of their unappealing immediate prospects. Fiat warned shareholders of a potential L1,800bn net loss for 1993, while Olivetti is expected to stay firmly in the red for 1993.

Even troubled companies such as the Montedison industrial group, which was facing a very uncertain future as recently as late last year, have become favourites. Montedison stock has powered ahead on the basis of possible rebuilding, triggering massive speculation. But the group's "recovery story", recently revealed via a Warnung presentation in London, has also attracted investors.

The question is whether the current buying spree is premature. Exporters have enjoyed a surge in foreign business because of the lira devaluation, with sales to countries outside the European Union rising particularly fast. How significant this impact has been on big industrials such as Fiat, Olivetti and Pirelli is rather unclear.

On the corporate side, the outlook may be gloomy for 1994, but a strong cyclical upswing is in sight. Moreover, privatisation, now speeding ahead, offers both special situations in the short-term and more general, later on, as privatised companies for the first time.

"We are seeing a lot of big institutional investment, especially from the US," says Mr Marie-Christine Keith, of NatWest Securities in London.

Such investors, attracted from Italy's everyday political

strong showing. In the end, parliament, his political alliance with the Northern League could secure a strong centrist wing counterbalance to a left-leaning government.

The market's performance, however, owes a great deal to the weight of money flowing into equities, much of it from abroad. Many investors in the US, for example, appear to be a honeymoon, as politicians jockey for position in whatever new government takes shape, and matters may be clarified only some weeks after election day.

So far, investors appear to have been unmoved by the possible turbulence ahead. That is partly because of an energetic "charm offensive" by the Democratic Party of the Left (PDS), the former communists, who are widely expected to perform well at the polls.

PDS leaders have for some time been meeting bankers discreetly to calm fears about the potential consequences of an electoral victory. Later this month, Mr Achille Occhetto, the party leader, and a group

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INVESTMENT TRUSTS - Cont.[illegible]

INVESTMENT TRUSTS

0.5	735.5	12.0
4.0	82.7	1.7
0.5	350.9	10.0
8.2	131.4	-5
1.3	107.2	-4
-	-	-
-	117.0	-2.0
-	105.7	1.1
1.0	700.0	0.5
-	-	-
-	-	-
-	-	-
-	-	-
30.0	-	-
-	71.5	60.3
-	-	-
-	-	-
0.5	272.1	-1.1
74.2	51.0	10.0
0.7	100.7	2.0

INVESTMENT TRUSTS

[illegible]

IS DISTRIBUTION

1	38.1	65.0
2	39.4	64.3
3	41.5	26.8
4	-	-
5	82.2	94.0
6	82.1	20.0
7	-	-
8	130.0	2.3
9	-	-
10	711.0	16.0
11	59.0	25.5
12	152.2	3.0
13	74.0	-0.8
14	3.0	1.1
15	1.0	1.0
16	1.0	1.0
17	1.0	1.0
18	150.7	0.7
19	-	-
20	200.2	-0.9
21	870.5	0.0
22	70.4	22.7
23	-	-
24	120.0	0.2
25	200.1	0.0
26	-	-
27	-	-
28	-	-
29	-	-
30	140.4	-1.2
31	140.0	-0.1
32	141.0	0.4
33	-	-
34	87.1	0.1
35	370.0	1.2
36	300.3	0.9
37	503.0	2.0
38	-	-
39	300.0	37.3
40	-	-
41	3000.0	-2.3
42	301.4	22.0
43	-	-
44	-	-
45	157.3	4.0
46	110.5	-4.0
47	-	-
48	144.0	0.0
49	-	-
50	-	-
51	201.7	-0.4
52	60.0	1.2
53	204.0	0.0
54	-	-
55	310.0	10.0
56	110.7	0.0
57	-	-
58	430.0	0.0
59	500.7	14.3
60	-	-
61	0.2	10.4

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MARKETS

London

Buba leaves the Bank to juggle the rates

Roderick Oram

Waiting for Buba is never one of the markets' favourite past-times. The Bundesbank seems to enjoy dragging the suspense of a German interest rate shift, springing it on the markets when their attention has turned elsewhere and conditions for a change appear to have gone.

Finally on Thursday, a week's 118 days since its last rate cut, the German central bank dropped its discount rate by half a percentage point to 5% per cent. Markets across Europe rose on hopes of further reductions by their own monetary authorities but the enthusiasm quickly wore off.

London equity and gilt markets, roused by apparently weak UK economic data in the week, added the Bundesbank's action to their list of reasons why the UK government and Bank of England should ease interest rates. But by the end of the week the arguments were looking less robust, leaving the Footsie with only a 3.7 point gain on the week at 3,892.6.

On Tuesday, the FT-SE 100 index had reversed a four-day,

76-point gain gained ground on news that manufacturing output had slipped in December and that the Central Statistics Office said the trend growth rate for manufacturing was 1 per cent from 1.5 per cent.

The trouble is that these statistics suffered from weather-related problems. If the Bank of England is unwilling to make the recent UK base rate cut - hence a compromise reduction of 0.4 of a percentage point - then the data might have changed its mind much.

The Bank is having to juggle a number of considerations revolving around sterling's weakness, external trade trends and demand for gilts at up-coming auctions. The auction next week is small but foreign investors are a little jittery about gilts after the market turmoil of the past fortnight. Although the superior yield of gilts over German

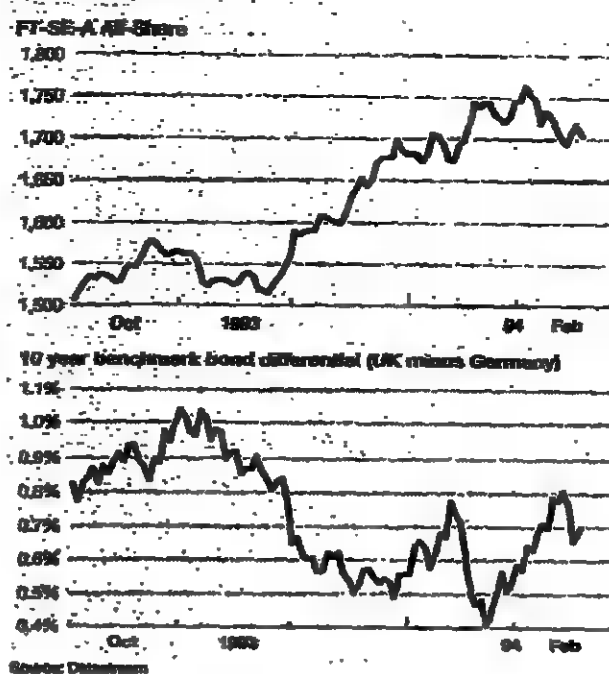
bonds had recovered somewhat from its low point in late January, it has eroded again in recent days, as the chart shows. Although another UK cut soon might be justified by domestic economic considerations, external factors are weighing against it.

Such an argument was used by Nick Knight, Nomura's high-profile market strategist, when he unsettled the equity market on Thursday with his advice to sell into any strength equities exhibit. From the man who made his name as a raging bull when Britain left the ERM, his talk of adverse trends on inflation, the trade deficit, sterling and interest rates was pretty bearish.

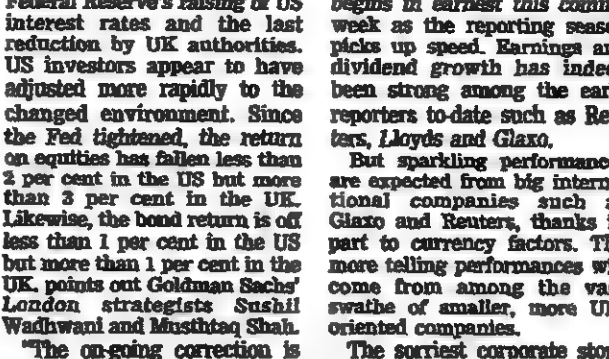
Most institutional investors will have to revise their view on equities before they act on such advice. But they are already backing off from putting more money into the market. The latest Smith New Court monthly survey of fund managers' intentions found that cash had a growing attraction to them. For the first time since the survey began in 1990, more of them planned to increase their cash balances than reduce them.

UK investors are still troubled by the aftermath of the

Waiting for Buba



10 year benchmark bond differential (UK minus Germany)



Sterling: Chartpoint

Federal Reserve's raising of US interest rates and the last reduction by UK authorities. US investors appear to have adjusted more rapidly to the changed environment. Since the Fed tightened, the return on equities has fallen less than 2 per cent in the US but more than 3 per cent in the UK. Likewise, the bond return is off less than 1 per cent in the US but more than 1 per cent in the UK, points out Goldman Sachs London strategists Sushil Wadhvani and Mushtaq Shah.

The on-going correction is unlikely to be very large, not more than 5 per cent, and the medium-term outlook six to 12 months ahead "is good," the believe. Analysing the last four occasions on which US interest rates had bottomed out in the past 22 years, they found that the total return on UK equities was an average of 17.49 per cent six months over the subsequent six months.

They offer four main arguments for equities: they are under-valued relative to short-term interest rates; they typically outperform bonds when earnings growth is expected to be above-average; US retail investors should continue to increase their equity holdings since interest rates are still relatively low; European interest rates are still coming down coming down, and retail investors are still underweight in equities.

One test of their argument

Save the saver with a single tax break

Scheherazade Daneshkhu

Private investors need no reminding at the moment of the complexities of the personal tax system. They need to check the new tax codings sent out by the Inland Revenue for 1994 to see that they are correct.

But the Inland Revenue has now have only a little over a month before the end of the tax year on April 5 to implement tax planning measures.

The Inland Revenue includes a number of tax-efficient schemes, some small, like a tax-exempt special savings account which will pay income gross on a maximum investment of £3,000 over five years, and some potentially large, like personal equity plans. These offer relief from income and capital gains on an investment of up to £50,000 a year, which can be split between any number of types of plan - a general and a single company plan.

The choice of plan depends on whether you have a general or a single company plan. If you have a general plan, you can choose to invest in a general or a single company plan. If you have a single company plan, you can choose to invest in a general or a single company plan.

Deciding which is best depends not only on your personal circumstances, but also on the tax efficiency of the different tax systems under which these investments operate. Pension contributions are the most tax-efficient, as they are grossed up and invested in a tax-free fund, which is not the case with a Tessa or a Tessa or a Tessa.

Private investors also have to remember when to make their investment for tax-efficiency. The financial year is not the same as the calendar year; a February year used to be a financial year, but is now a financial year, while a Tessa year is neither and corresponds instead to the anniversary of the initial investment.

Serious Money

Save the saver with a single tax break

Scheherazade Daneshkhu

How can we find our way out of this savings mess? Instead of simplifying matters Kenneth Clarke's budget last November if anything has made things worse, our growing GILT briefcase testifies. The abolition of CGT indexation, for example, to create or increase losses has been met with bemusement by investors and incredulity by others.

The Inland Revenue for Fiscal Studies this week urged reform of the tax system, arguing that the current regime is not fit for the requirements of the "neutrality, fairness and transparency". While arguments about the tax system might be simplified, the Inland Revenue's Institute of Fiscal Studies, which is the Institute's recommendations, that Peps and Tessa should be swept up into a single tax plan, after all.

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The IFS suggests that savings should be invested in a range of financial assets, from shares and securities to futures and options in the new extended plan, which it names Kappa.

No tax relief would be given for amounts put in the Kappa but income and capital gains would be tax-free and (unlike a Tessa), withdrawals could be made at any time. It suggests setting an annual limit of £12,000 to be roughly in line with an amalgamation of the current Peps and Tessa annual allowances.

Part of the attraction of a tax-free allowance idea is that attempts by the government to encourage private investors' money into areas it wishes to develop have not been too successful. Tessa was meant to encourage small savers but anecdotal evidence suggests

that little of the Tessa money has been new, instead, those with building society savings have simply transferred them into a Tessa to make use of the tax break.

The Business Expansion Scheme, which was abolished at the end of December, was meant to encourage investment in growing businesses but it only proved successful after the government allowed it to be used to increase the supply of private rented accommodation. Sponsors developed loan-back schemes so that they were loaned overnight by Norman Lamont in his March 1993 budget.

BES schemes still exist, but investors in Johnson Fry's Mortgage Express Super Growth BES (which is a loan-back scheme) are awaiting the outcome of a dispute between the company and the Inland Revenue over the timing of tax relief, which will affect the level of returns to investors.

Enterprise Zone Trusts, potentially the largest tax break of all, received a blow this week when the House of Lords rejected an appeal by Matrix Securities, investment advisers, against the Inland Revenue for refusing to grant clearance to its docklands scheme. In this case, investors' cheques had already been returned but investors in the BES and EZT have been attracted by the size of the tax breaks and have fully appreciated the risks.

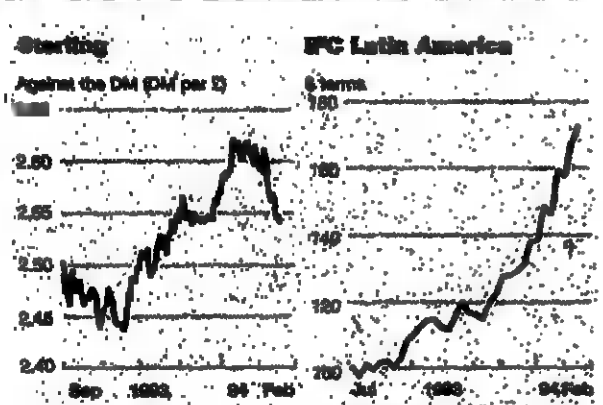
There is certainly an argument then, for protecting investors by consolidating tax breaks into one allowance, since these elaborate schemes often seem to benefit City mothers more than investors. That would also have the virtue of simplifying the personal savings tax system.

"Setting Savings Free, a summary of the Final Report of the IFS Capital Taxes Group, IFS, 7 Wellington Street, WC2E 7JZ, 0171 270 210.

HIGHLIGHTS OF THE WEEK

	Price	Change	Volume	Notes
FT-SE 100 Index	3892.6	+3.7	5620.5	Hopes of further interest rate cuts
FTSE Mid 250 Index	4712.1	-4.5	1112.1	Footsie falls to 4,712
Altria	70	+15	71	Buy Unipower
British Aerospace	328	-17	604	Altria: Buy Small order
General Accident	581	0	757	Recovery
Glaxo	578	0	801	Well-received figures
HVT	100	+37	161	Fixed deal
Kellogg Benson	111	-43	100	Post-results profit-taking
Lloyds Chemicals	107	+20	380	241
McAlpine (Alfred)	328	+42	330	06 Good results/strong builders
Pearson	720	+28	735	342 Multi-media potential
Thorn EMI	1129	+44	1183	04
Tiphook	53	-11	382	04 Fears for company's future
Willis (James)	178	+11	191	44
Wills Condon	211	-18	245	171 US selling

AT A GLANCE



Rate cuts undermine Sterling's rise

Sterling's rise from a low of DM2.45 in mid-October to a high of DM2.6250 in mid-January was driven by a gathering consensus that the UK was enjoying an economic recovery. The trigger for the recent correction was the 25 basis points cut in UK interest rates announced last week. The move was not well received in the market which queried the economic justification and worried about possible political reaction. The Bundesbank's half point cut in its discount rate on Thursday, has not helped sterling. The market appears to take the view that UK rate cuts are more likely in the short term than German cuts.

Latin American markets draw the investors

International investors moving money out of Asia and looking for new, more profitable destinations have been pushing up Latin American stock markets. There has been a 20 per cent rise in dollar terms since the start of the year, following strong performance in 1993. The region still has economic problems, but the North American Free Trade Agreement is expected to have a beneficial effect.

Three new UK investment trusts specialising in Latin America will shortly be adding to the flow of funds to the region. The launches of Edinburgh Fund Manager's Incus trust, Templeton's Latin American trust, and Morgan Grenfell's Latin American trust have all been announced within the last two weeks. Public offers for the funds open in March or April.

Trustworthy information

The Association of Unit Trusts and Investment Funds, the trade body for the unit trust industry, has launched a unit trust information service aimed at first-time investors. Autif has prepared information packs containing booklets on how unit trusts work, how to choose and use a unit trust, and a directory of all the trusts managed by Autif members.

For a free copy, call Autif on 081-207-1361, between 9am and 11pm, seven days a week, or write to: The Unit Trust Information Service, 65 Kingsway, London, WC2B 6TD. Further publications are planned in the next few months, including fact sheets on aspects of unit trusts, aimed at experienced investors.

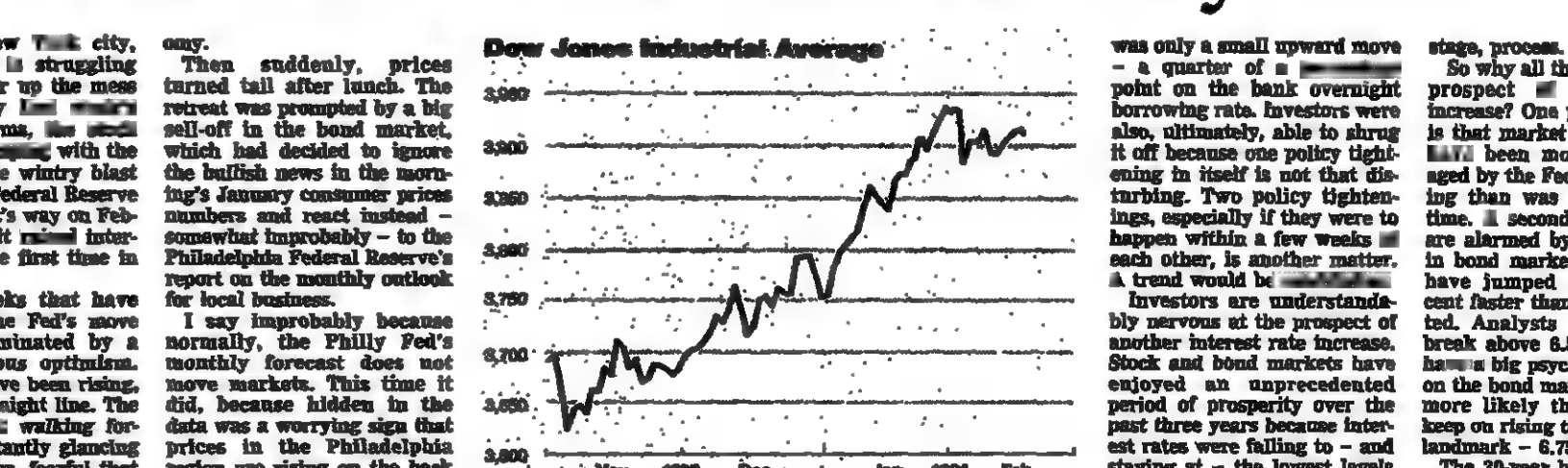
A plain guide to your taxes

The 1994/95 Money, Pensions and Tax Guide is a new publication from the Taxation Advice Bureau, which explains in plain English all the important points of personal finance and taxation, including a step-by-step guide to completing annual tax return. The paperback costs £10.95, and is available from bookshops, or from the Taxation Advice Bureau, Glen House, 200-208 Tottenham Court Road, London, W1P 9LA (no charge for postage and packing).

Smaller companies slip further

Smaller company shares slipped for the second week. The House of Commons Small Companies Index (capital gains version) dropped 0.3 per cent to 1878.99 over the week to February 17.

New York feels the Fed's icy breath



Like New York city, which is struggling to clear up the mess left by the heavy snowstorms, the stock market is still in the aftermath of the wintry blast of cold air the Federal Reserve sent Wall Street's way on February 4, when it raised interest rates for the first time in five years.

The two weeks that have passed since the Fed's move have been dominated by a mood of nervous optimism. Share prices have been rising, but not in a straight line. The stock market is walking forward, but constantly glancing over its shoulder, fearful that the Fed will come up on it again with another sneaky-timed policy tightening.

Take this week. The Dow Jones Industrial Average rose 23 points in the first three trading days, a solid enough performance. Its upward momentum was maintained early on Thursday when prices rose following the release of a positive set of consumer prices data, data which appeared to signal inflation remains essentially dormant despite the rapidly-expanding economy.

Then suddenly, prices turned tail after lunch. The retreat was prompted by a big sell-off in the bond market, which had decided to ignore the bullish news in the morning's January consumer prices numbers and react instead - somewhat improbably - to the Philadelphia Federal Reserve's report on the monthly outlook for local business.

I say improbably because normally, the Philly Fed's monthly forecast does not move markets. This time it did, because hidden in the data was a worrying sign that prices in the Philadelphia region are rising on the back of a strong manufacturing sector. Because this is seen as a leading indicator of consumer prices, as opposed to the CPI data which was a lagging inflation indicator, the bond market set up and took notice.

Fearing that the rise in prices in Philadelphia was a similar movement nationwide - and that the Fed in Washington would reach a similar conclusion - bond market investors heeded the hints, turning what had been a handsome morning rally into a frightening afternoon rout. By mid-afternoon, the benchmark 30-year yield had fallen so far that its yield had risen above 6.5 per cent for the first time since August 1993.

Nervy stock market investors rapidly followed the bond market's lead, and the Dow slid from a 13-point gain to a 96-point loss within less than an hour (although it recovered some ground before the close). Like the bond market, the stock market plunged into a pre-emptive move against inflation.

Everyone has good reason to be about the rate increase. The first, two weeks ago, was unpleasant but was eventually digested without too much trouble because it

was only a small upward move - a quarter of a percentage point on the bank overnight borrowing rate. Investors were also, ultimately, able to shrug it off because one policy tightening in itself is not that disturbing. Two policy tightenings, especially if they were to happen within a few weeks of each other, is another matter. A trend would be

Investors are understandably nervous at the prospect of another interest rate increase. Stock and bond markets have enjoyed an unprecedented period of prosperity over the past three years because interest rates were falling to - and staying at - the lowest levels seen in 30 years. Several sensitive policy tightenings by the Fed in early 1994, however, would clearly signal the end of the low interest rate cycle.

Yet, as many analysts pointed out on February 4 when the Fed went up, it was always unlikely that the Fed would stop at just one policy tightening. The market has been full of pundits saying that the February 4 rate rise was the first step in a two-, or even three-

stage, process. So why all the fuss about the prospect of another rate increase? One possible answer is that market sentiment may have been badly damaged by the Fed's first tightening - than was realised at the time. A second is that people are alarmed by the rapid rise in bond market yields, which have jumped above 6 per cent faster than anyone expected. Analysts warn that the break above 6.5 per cent will have a big psychological effect on the bond market, making it more likely that yields will keep on rising toward the next landmark - 6.75 per cent.

The 30-year bond was yielding 5.7 per cent only as recently as October. Another 20 basis points higher, and bond yields will have jumped a full percentage point in little more than five months. No wonder the stock market is nervous.

Patrick Harverson

Monday 3904.06 + 09.28
Tuesday 3828.27 + 24.21
Wednesday 3837.27 + 08.00
Thursday 3822.54 - 14.63
Friday

Europe. But it is likely that the reform in the UK will provide a key to the company's fortunes.

Glaxo does 90 per cent of its business in North America, up from 42 per cent a year ago. It is an increasing dependence that comes as healthcare costs are under scrutiny by the Clinton administration.

Glaxo already under include a switch to "managed health care" in which providers of healthcare agree to look after the ailments of a group of people in return for a fee.

The key to winning in this market may be to create alliances that can offer a broad range of medical services. Last year, Merck, the biggest US drugs company, set the pace by buying Medco, one of its biggest customers.

Glaxo knows it must respond by creating a "matrix" of alliances. This could include other drugs companies and distributors. Sir Richard wants to build his matrix by the end of the year. He may have another triumphous week next year, if he meets that target.

Daniel Green

the gravy train will hit the buffers of international health-care reforms. The UK is there. Behind the spectacular headline figures, some markets are in trouble.

Zantac sales in Germany fell by 21 per cent as healthcare reforms cut doctors' prescribing powers. Sales in Italy (state contributions to the cost of drugs are being reformed) fell by 6 per cent.

And in the UK, sales fell 9 per cent, partly because the UK government last year cut drug prices by an average of 2.5 per cent.

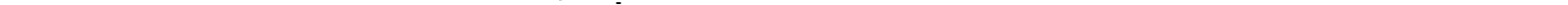
Sir Richard says the falls are just hiccups, not symptoms of a creeping disease. The German and Italian markets are already beginning to "turn around", he says, and the upward slope in sales and profits will reappear, although perhaps not as steep as it used to be. He may be right on

price has underperformed the market dramatically.

As a result, what was once a darling of the capital growth investor has become a buy on the basis of its four per cent-plus yield.

What the capital growth investors fear is that one day

Glaxo: buying for yield



Share price (pence)

Dividend yield (pence)

FT-SE 100 Share Index

Share price

Source: Dataquest

FINANCE AND THE FAMILY

Soaring investment trusts set record pace

New and existing issues jostle for business – but is this a good time to buy? Bethan Hutton investigates

Investment trusts are more popular now than they have been for decades. New launches in the first quarter of this year could well raise more than in the whole of last year, which was record-breaking as well. And existing trusts are attracting unprecedented investor interest.

The price of investment trusts is rising according to market demand, rather than the value of their assets. If a trust is out of favour, you could buy the shares at a substantial discount to the value of its assets. If the trust is very popular, you might have to pay a premium.

Just how big a comeback the investment trust sector has made is shown by the fact that the average discount in net asset value was at its narrowest for more than 20 years last month. But a flood of new issues, and the stock market response to the new issues, has started to reverse the tide since. Discounts actually widened slightly last week.

This is a timely reminder to investors that a narrowing discount is not a one-way process: if the market turns bearish, premiums can turn into discounts, and small discounts can become yawning gaps of 20 or 30 per cent – making a severe dent in your profits when you want to sell.

Existing trusts

Now that investment trusts are in vogue, one of the old arguments for buying investment trusts has been eliminated: that they provided an opportunity to acquire undervalued assets cheaply. If there is no longer a discount, is this a bad time to buy investment trusts?

According to the experts – not necessarily value – you might just want to look earlier for it. Philip Middleton, an investment trust analyst at Smith New Court, says: "At the moment, there are some perfectly decent international funds which you can buy on quite acceptable discounts." He mentions Scottish Water, Wigan, and Kleinwort's Far Eastern funds are looking attractive, too.

The fact that a trust is at a pre-

mium does not always mean you should avoid it, says Brian Tora, of stockbroker Greig Middleton. Several of the funds recommended by his firm are at a premium, including Fidelity European Values, and Perpetual Japanese. This is because the managers are respected and have a track record which can justify paying a premium. Investment experience and performance is what to look for.

But David Harris, of Chantrey Financial Services, says investors should know they are taking a greater risk by buying at present levels. He advises them to look at unit trusts in the same sector before buying shares in an existing investment trust at a premium – particularly if they are run by the same manager. The unit trust could be a cost-effective option, Harris adds.

New issues

Conversely, the narrowing discount improves the case for buying new investment trust issues. It used to be that new issues were a bad deal: you had to pay the full asset value plus the issue expenses. But, by buying shares in an existing trust, you could get the same assets at a 15 per cent discount. Now, new issues can be better value.

Middleton warns, however, that even when a trust is expected to be popular, you should not subscribe with the intention of "staging" it – selling immediately for a profit, as many people did with privatisation shares, which were priced cheaply. Investment trust issues cannot be underpriced, as they have no assets to start with. Even the recent Kleinwort European Privatisation investment trust, which was oversubscribed heavily, went to only a 2 per cent premium on its first day. Issues should be judged on their medium to long-term prospects.

Harris says careful choice is necessary because of the many issues and it might be more sensible for small investors to go for big names in fund management, with a track record in their area, rather than unknown management groups.

C-share (conversion share) issues, where existing trusts raise new share capital, also can offer better value than ordinary shares in the same trust. C-share issues now way now include Templeton



ing Markets, Fleming Japanese, and Abtrust New Dawn.

What about warrants?

The majority of the new investment trusts being launched now are offering subscribers to the public offer "free" warrants, one for every five ordinary shares. A warrant gives you the right (but not the obligation) to buy shares in the trust at a fixed price at some date or dates in the future.

Warrants are traded separately from ordinary shares. They are highly-gearred, speculative instruments which can deliver large capital gains if the trust's share price rises above the warrant's exercise

price. But if the trust flops, they become worthless.

Many private investors who normally would never trade in warrants can find themselves holding them because of a public offer. The question then arises of what to do with them. It can be tempting to sell them quickly but advisers say this is not always the most sensible option.

Middleton says that the term "free warrants" is a misnomer. Investors have paid for them as part of the package of ordinary shares. "You should not just regard them as some bit of frivolity that has been thrown in for nothing. Usually, you should hang on to them,"

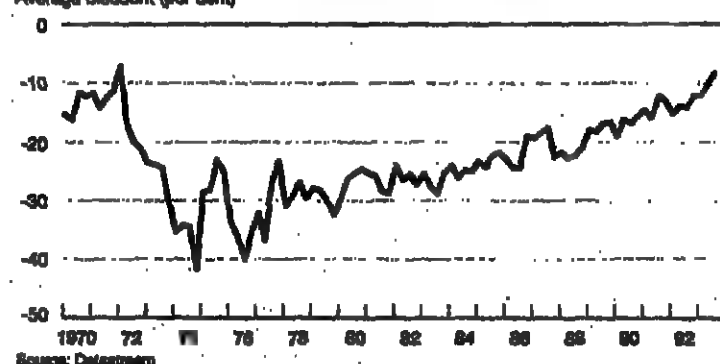
he says. After the trust has been running for a few years, you can decide whether to sell or exercise them.

Tora feels that the best course is to keep warrants, perhaps tucked away in an envelope labelled "round the world trip 2003." Alternatively, you could put them in a fund's portfolio, as capital growth is more important than income. But you should not forget about them altogether – warrants do have fixed expiry dates.

Harris says that investors not prepared to take the longer view could sell the warrants immediately and look on the proceeds as a discount on the ordinary shares.

Investment Trusts

Average discount (per cent)



Source: Datastream

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FINANCE AND THE FAMILY

Where value comes first

Joanna Slaughter on Boyton Financial Services. Fourth of a series

The Financial Services Act, which spells out the industry's regulation, is not an independent financial services favourite piece of legislation. Richard Boyton identifies it as the turning point in his career.

Boyton, founder of the based firm Boyton Financial Services, entered the industry in 1982, but says: "After the FSA, I saw that the world was a changing place and that it was no good playing Canute and waiting for the water to come to us. The legislation made us focus on what we spent our time and where we were profitable."

"The public would change, and we would be fee-charging. I saw our role as being a player, not all things to all men but doing things better than most."

Boyton's office is a Queen Anne house in the village of Castle Hedingham. The business is run tightly and is not open to being a workaholic.

He believes that fee-charging IRAs stand or fall by their ability to give their clients value. "That is what we are providing. The reason why people get fed up with stock advice, accountant or adviser is because they are not value for money."

In the past 18 years Boyton has lost 11 clients - five of them died - but has taken on 11 new execution-only and advisory clients. He will not quote a figure for funds under management, as he has not decided if the total should include money invested through the firm's own service, or even cash on deposit. "A more relevant figure is the new money flowing into the organisation," he says.

Boyton believes that clients' costs should be controlled as rigorously as his own. He does not think, for instance, that they need always go to Castle Hedingham. He explains: "We don't deter clients from coming to see us. But if you write and say you want to be a client, we

The Independents



Richard Boyton

Name of financial adviser:	Boyton Financial Services Ltd
Address of head office:	PO Box 14, Hedingham, Essex, CO8 4DY
Date firm was established:	1973; incorporated 1983
Regulation:	FSA
Funds under management:	No figure given
Number of clients:	3,000 (including execution only)
Number of offices:	1
Minimum investment:	No minimum
Services offered:	Investment management and comprehensive financial planning
Phone:	0206 614041

that on the telephone. With a meeting, you are looking at spending something like £250 plus value added tax on something that I know I can do in 10 minutes."

Nor does he give prospective clients a free first interview, arguing that the use of this special offer inevitably is borne by existing clients. "If you are giving your time for free, you must be making it up somewhere else," he points out.

Boyton finds that new clients "tend to be very wary and sceptical of the advisers they have seen in the past. I tell them that I don't trust anyone, either, and that they will get everything in writing. And I tell them that if they are not happy with what is suggested, they should not use it."

The firm offers a comprehensive financial planning service, including advice on pensions and school fees plans. Last year, Boyton established a joint venture with McIntyre Stuart, a Cambridge-based money firm, to help clients with their tax returns.

He believes, however, that investment management is the firm's pivotal role. "What we are about is running assets. You can be a rotten planner but, if the portfolio has performed, the client will have you. It is performance, perfor-

mance, performance." The big success was investing in the Gartmore Emerging Markets fund in 1982 and selling it just over a year later, making more than 100 per cent.

Time spent on a client's affairs is monitored scrupulously, with fees ranging from £100 an hour (excluding VAT). Clients can decide whether to let any advisers handle their affairs. Either way, Boyton wants their decision in writing.

There is no minimum investment. Boyton says: "The minimum portfolio is not dependent upon size. It is a question of whether the client is prepared to pay fees. We can actually operate for small sums of money if the client tells us what he wants."

There is an execution-only service for those who require no hand-holding and a fund watch service that alerts clients to UK and international funds. But the heart of the firm centres on its investment advisory and consultancy service.

This is driven by an in-house data base that can analyse 11,500 institutional funds, and Boyton has links with a number of investment houses and

stockbrokers. Where appropriate, advice will also embrace ethical, social and environmental issues. Interest-bearing shares.

There is no annual management fee for the investment management service; instead, it works rather like a bank budget. Boyton says: "We will spend, looking at the portfolio. We then calculate how much we will spend on specific advice. Clients pay monthly, by standing order, and once a year we look at our estimates and adjust them."

Clients who have opted for the service get six-monthly valuations and are contacted "when we think the portfolio needs to be rearranged, either because assets are fully valued or because an opportunity to buy under-valued assets has arisen."

Boyton's investment approach appears painstakingly disciplined. He imposes performance targets on each investment monitored, and acts when there is any movement outside these. "I'm keen about cutting losses. I never run."

He adds: "We don't always get it right, but what we are looking to do is to get it more right than wrong. We are not paid to lose clients' money."

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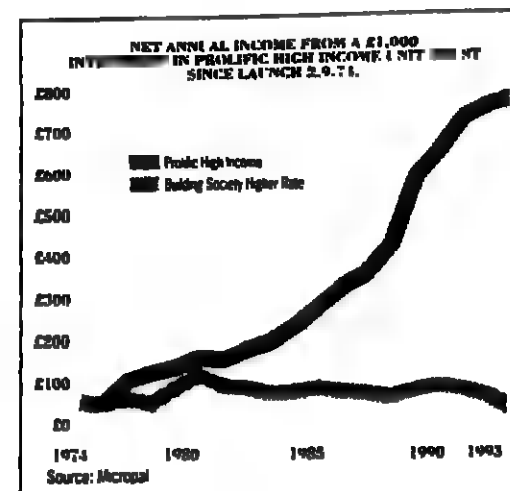
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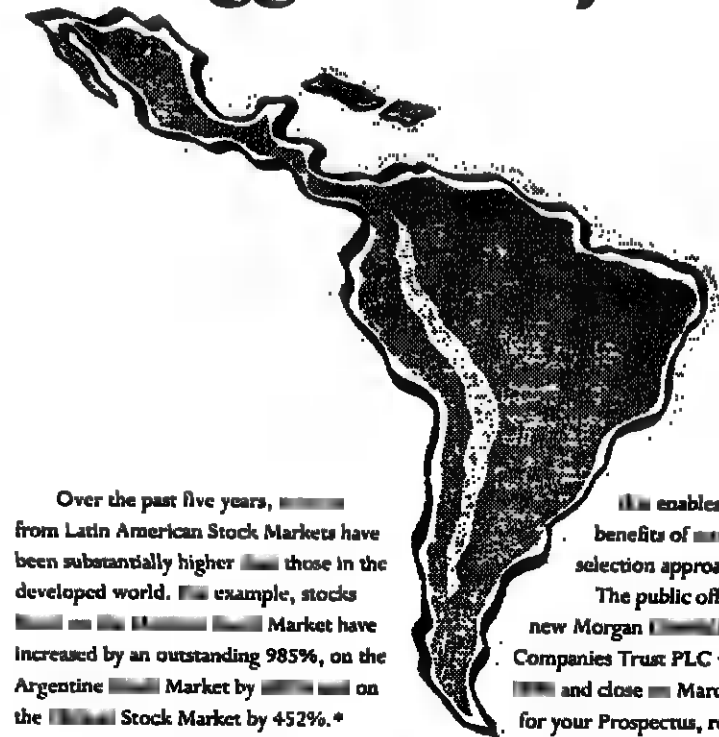
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*Source: Morgan Stanley, 1.1.89 to 1.1.94 (Capital only, US\$).

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FINANCE AND THE FAMILY

Fixed-rate mortgages are just too popular

Lenders want to switch emphasis, says Scheherazade Daneshkhu

Fixed-rate mortgages have proved so popular with new borrowers that lenders are trying gradually to shift attention back to their more profitable variable rates.

Two years ago, 27 per cent of new mortgages had the interest rate fixed; this rose to 60 per cent between June and September 1992 (the most recent figure from the Council of Mortgage Lenders).

"We want a balance between fixed rate and variable rate business," says Halifax, the largest lender which, with half its new loans on fixed rates, is below the market average.

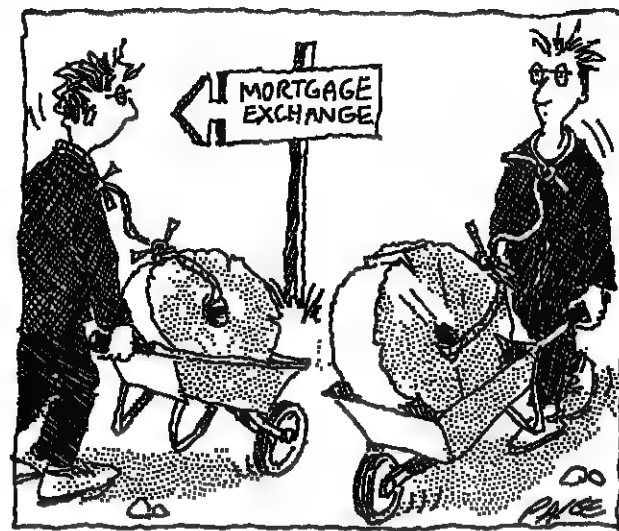
Too high a proportion of fixed rates leaves us with less flexibility if interest rates turn against us. We do not want to leave ourselves open to adverse market conditions," Halifax offers first-year discounts of up to 3.5 percentage points on its variable rate of 7.64 per cent.

Last September, Cheltenham & Gloucester introduced a one-year discount of 2 percentage points on its variable rate, which has been increased to 3 percentage points. This brings down the variable rate to 4.64 per cent to borrowers with a 20 per cent deposit.

Abbey National has also brought in discounts of up to 2.35 points until July 31 1995 on its present variable rate.

Northern Rock will post borrowers a cheque for £1,000 two weeks after they complete a mortgage with the society - but only if the loan is on a variable rate. Northern also gives discounts of up to 4.24 percentage points on the variable rate until April 1 1995.

From January, Britannia building society will - for one week only - give a discount of 5 percentage points on its variable rate to those with a 25 per cent deposit. This brings down the rate to 2.75 per cent until January 1 1995. Britannia provided funds for essentially the same package marketed last week by mortgage broker John



Chained and bound. Life, but there is a disadvantage in going directly to Britannia in that you would have to take on the society's buildings and business.

Lenders are keen to limit situations on variable rates because, with base rates at 6.5 per cent and the standard variable mortgage rate at about 7.64 per cent, margins are much wider than on the fixed rates.

"The variable rate is more profitable for us because we launch fixed rates on tight margins to attract new business," says CML.

For borrowers, there is a danger that this shift in emphasis might mean that the choice of good fixed rates will begin to ebb. Nationwide, for example, has just launched new fixed rates which are higher than those they replaced. The new and three-year fixed rates, available to home-buyers, are 6.3 and 6.65 per cent and replace those of 5.9 and 6.1 per cent.

This does not necessarily mean fixed rates have hit the bottom - many mortgage strategists expect base rates to fall further in the UK. But choosing a fixed rate now could be a good move. If, however, your own lender does not offer competitive fixed rates, the cost of re-mortgaging - moving from one lender to another - could be prohibitive.

Adam Patten, senior property partner at London-based solicitors Harbottle and Lewis, says: "A lender will treat a re-mortgage as a completely new transaction so it will need a new local branch."

"There will be a land registry fee to pay and the solicitor's conveyancing costs for checking title and preparing and registering the new mortgage. But at least there will be no stamp duty."

John Charnell, mortgage adviser at £100,000 mortgage package, says: "The cost of re-mortgaging with the John Charnell package would be £2,000 (comprising £2,000 for six months' interest and £200 re-mortgaging fee).

The package would save £1,000 in interest payments over the three years left of the £100,000 mortgage, leaving a net saving of £7,000. It would take just over 10 months to recover the cost of the package."

One caution, however, is considering a re-mortgage without checking that you will not lose any tax relief.

value. Woolwich offers a 90 per cent mortgage on a property worth £112,000 would incur an indemnity premium of £1,200.

Lenders are usually happy to work through the figures to see if it is worth making a switch, and some make it easier financially than others to transfer.

Midland bank, for instance, is offering to pay legal and valuation costs for home-owners switching between the bank of the week to one of its own of the fixed rates - a five-year fix of 7.25 per cent or a two-year fix of 6.95 per cent. There is no fee for the fixed rate but it will not pay indemnity premiums.

John Charnell will pay the re-mortgaging costs for those transferring to a five-year fixed rate of 6.95 per cent; it charges £250 instead of the typical £1,000 on a £100,000 mortgage of more than £1,000. The offer is limited to those with a deposit of at least 25 per cent.

Maximum loan size is £250,000 and the mortgage is with Bank of Ireland, which has a competitive variable rate of 7.5 per cent. There are no compulsory insurance-related products and the mortgage is available on all repayment terms as well as being portable.

Ian Darby, of John Charnell, says: "People are high fixed rates would make substantial savings by switching. If someone took out one of the most popular fixed rates in 1992 - 10.25 per cent for five years - the cost of re-mortgaging with the John Charnell package would be £2,000 (comprising £2,000 for six months' interest and £200 re-mortgaging fee).

The package would save £1,000 in interest payments over the three years left of the £100,000 mortgage, leaving a net saving of £7,000. It would take just over 10 months to recover the cost of the package."

One caution, however, is considering a re-mortgage without checking that you will not lose any tax relief.

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FINANCE AND THE FAMILY

FACT FILE 3

Name: **Sun Life** Society
 Founded: 1810
 Market position: **largest**
 Financial strength rating: **Adequate**
 Funds under management: **£102.7m**
 Number of personal pension plans: **171,000**
 Number of plans sold: **15,000**



Extract from Queen Victoria's Sun Life policy

may produce use a standard basis for charges set by Lauro (the Life Assurance and Unit Trust Regulatory Organisation). To reveal the impact of real charges on the final fund of Sun Life's managed unit-linked plan, we asked for illustrations using actual charges for a man age 45 who expects to retire at age 65 (on a 20-year contract, paying (a) £200 per month and (b) a stand alone single premium of £10,000. Illustrations using Lauro standard charges, which in fact are much lower than charges used by most life offices, are shown in brackets. The test illustration gives a theoretical value if no charges were made. The growth assumptions are Lauro's standard 6 per cent and 12 per cent.

Full commission paid

	6% gth	12% gth
Monthly premium	£277,101	£148,747
Single premium	£20,000	£10,000
Single premium	£20,000	£10,000
Single premium	£20,000	£10,000

NI-commission

	6% gth	12% gth
Monthly premium	£220	£129
Single premium	£20,000	£10,000
Single premium	£20,000	£10,000
Single premium	£20,000	£10,000

Theoretical nil charges

	6% gth	12% gth
Monthly premium	£220	£129
Single premium	£20,000	£10,000
Single premium	£20,000	£10,000
Single premium	£20,000	£10,000

Where full commission is paid, Sun Life's charges are significantly higher than the Lauro basis, yielding a lower projected return. When the commission cost is stripped out on the monthly contract, the situation is reversed on the monthly but not on the single premium contract.

Charges At present life office illustrations of what your investment

Sun shines on

But while pension performance is strong, the charges are hefty, reports Debbie Harrison

In 1810, the company's official history records, "several highly respectable and opulent gentlemen, having it in contemplation to establish a society for life insurance with an ample and bona fide capital," hired an actuary and set up Sun Life Assurance.

A few years later, the actuary, with the assistance of an 18-year-old clerk, who retired at 66 and drew a £300 pension for 10 years, as he continued to collect it in person, he would proclaim: "Ah! You can't kill an annuitant!"

The society was the total under management of £100m and is owned equally by UAP, the largest insurance company in France, and Liberty Life, South Africa's third largest life insurance company. They acquired their status in 1993 when, under the terms of the 1993 Act, the company was taken over by UAP and Liberty Life.

The society offers an innovative range of pension products and is particularly strong in the small, discretionary pensions market. Its main business is personal pensions and is considered to be among the best available, while its investment team has the advantage of a low-cost, discretionary private fund facility.

For those who stay in the company, Sun Life pays an "extra" pension injection" loyalty bonus plans that reach the agreed retirement date. The bonus is based on some of the regular charges levied over the years, together with an allowance for investment growth. This helps to explain the society's competitive "reduction in yield" figure of 1.2 per cent, which is the equivalent of a 1.2 per cent charge on the fund.

with-profit fund and that are unit-linked.

The society's charges may be explicit, but user-friendly they are not. Take a regular premium contract. During the first 10 years, your premiums buy capital units which carry an annual fund charge of 3.5 per cent in addition to the 1 per cent charge on the accumulation units purchased from year three. This hefty charge on capital units is maintained

percentage charge on the fund. The society helps to offset the otherwise relatively high charges of the early years. But the society also imposes a penalty on contracts terminated early. If you stop payments after 10 years on a 25-year contract, you will lose 50 per cent of the value of the capital units bought in the first 10 years.

John Woolnough, Sun Life's business development manager for individual pensions, says that the overall level of charges should be considered in the light of other important factors. He says: "The client's adviser should recommend a company with consistently good performance over different periods of time. Indeed by a long-established investment team. Higher charges can be an irrelevance if the performance is good."

Certainly, Sun Life is a firm ground when it comes to that. The two most popular personal pension plans - the unit-linked with-profits and unit-linked managed funds - are top performers over the short and long term. The compound annual growth rate of the managed fund (which has been in place since May 1991) is 20.02 per cent, compared with the unit-linked plan of 18.11.

The number of member plans the society has sold to employees with company schemes benefits is low compared with competitors: 15,000, of which only 3,000 were through managed funds. Nevertheless, Sun Life is reviewing all 3,000 to check that each was in the best interests of the client.

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Errors in tax codings

Many employees are getting wrong tax codings because of changes to tax and personal benefits, writes Sir Anthony Battehill, chairman of the Inland Revenue. He says that mistakes were made in 9 per cent of all dealings with as-you-earn employees. About 10 per cent of being used compared with the last year, mainly because of the restriction of the married couple's allowance to 10 per cent of the taxpayer's marginal rate. The allowance is £1,200 for those under 65 and, from April 6, it will be worth only £1,200 for a basic-rate taxpayer, or £688 to a higher-rate taxpayer.

The common coding problems are:

- Company cars. The system for assessing benefits will change from April 6 but Andrew Shaw, tax partner at City accountant Kingston Smith, says "All the codes I have seen so far have used the old 100% rule benefit." The new scheme will be based on the original list price of the car instead of its cash value. The Revenue says that if the word "new" in brackets does not appear, it is probable the old scheme has been used.
- Cars more than four years old in 1994 qualify for a one-third reduction in the benefit but, often, this is not reflected in the codes.
- The married couple's allowance. The only way the Paye

system can deal with this year's change is to restrict the allowance, according to Mr Don, a chartered accountant. Bluck Rothenberg. "The Revenue has had to guess whether an individual will be paying tax for 1994 at 20, 30 or 40 per cent in order to include the correct allowance restriction," he says. "Very strange numbers have been appearing in coding tables as a result."

Under or overpayment of tax. The Revenue will adjust codes to reflect either case. Often, this can lead to errors.

"Other" benefits. Shaw says deductions for interest are based on 1993 benefits provided by the employer but these have changed in many cases.

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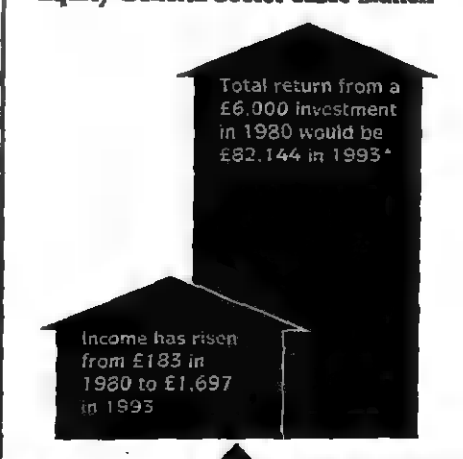
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*Source: Micropal, offer on bid, 3.3.80 to 31.12.93. Income is calculated on basis of basic rate tax, and the capital growth figure is net income reinvested. The comparative five year growth to 31.12.93 would be £11,079. Income figures - Source: Henderson.

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FINANCE AND THE FAMILY

Gilts keep their appeal

But how should you buy them? Sara Webb looks at the options

Buying gilts is a slogan more suited to private investors than politicians. The gilt rate, currently 5.25 per cent, is one of the lowest point, investors need to re-examine the fixed income element of their portfolios. UK gilts, known as gilts, have provided a steady return with the chance to earn a higher yield or income available from bank or building society accounts in the past couple of years. Interest rates have been declining since the end of 1990, but those investors hungry for income can still get a higher yield from long-dated gilts than from a standard deposit account.

At the top end of the range, bank and building society accounts offer between 5-6 per cent gross. Redemption yields on longer-dated gilts were hovering at just below 7 per cent last week, giving a real return of just over 4 per cent. However, those investors hoping to see a continuation of the gilt market rally and the prospect of further capital gains may need to reconsider their strategy. Economists and bond analysts are wondering if the bull run in gilts has much further to go.

Providing inflation stays firmly under control, some economists think the base rate could come down further, perhaps to 4 per cent. But many big institutional investors, with a more international portfolio, regard the gilt market as overvalued.

There are three main ways to buy or sell gilts.

- 1. The National Savings Stock Register (NSSR). This method has the advantage of being cheap in terms of commission and convenient in that you receive your dividend income gross (although taxpayers,

of course, are required to declare the income), but the disadvantage is that you buy and sell "blind."

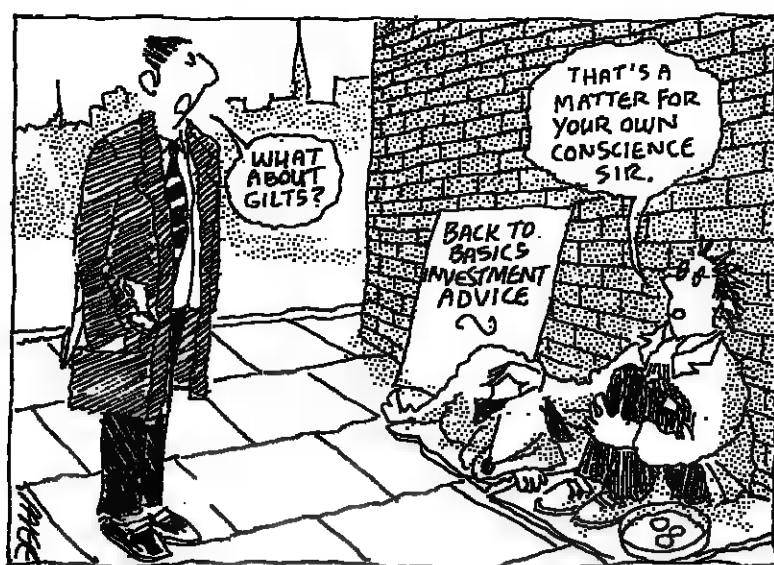
The NSSR offers the complete range of gilts. You simply fill in a purchase or sale application form, available from most post offices, and send it off with your cheque. You can either invest a specified sum of money (in which case, you simply make the cheque out for the sum) or you can buy a specific nominal amount of stock (which means you leave the cheque blank so that the cost can be calculated once the price at which the stock is purchased is known).

The NSSR is probably the best way of buying small amounts of stock because the commissions are low - £1 for amounts up to £250. Above £250, there is an extra 50p for each multiple of £125 purchased. Selling commissions are 10p for every £10 (or part) on sums under £100, and £1 on sums of £100-£250. Above £250, the cost is £1, with a further 50p for every additional £125.

The main disadvantage of the NSSR is that you have no say in the price you pay for the individual stock. The NSSR aims to process applications the morning they arrive but, like many financial markets, the gilt market can be volatile. Good news, such as the release of an unexpectedly low inflation figure, can send prices much higher, whereas bad news, such as a high government borrowing forecast, can depress them.

2. Your bank or stockbroker. Commissions charged by banks and stockbrokers vary but tend to be higher than those charged by the NSSR.

Sharelink, an execution-only broker, charges 1.5 per cent on the first £2,500, 0.75 per cent for the next £2,500, and 0.1 per cent on amounts over £5,000. Stockbroker Killick & Co charges 1 per cent



on the first £10,000, 0.4 per cent on the next £10,000, and 0.125 per cent on additional sums.

The big banks also have dealing services for small investors. For example, NatWest has gilt buying and selling services for customers. If you are a customer, you can go into a branch and place your order over the counter. There is a minimum commission of £25. For sums up to £5,000, you pay 1 per cent commission; for the next £5,000, 0.5 per cent. There is also a £1 administration charge.

Alternatively, customers and non-customers can use NatWest's "brokerline" telephone dealing service. Again, the minimum charge is £25. Commission is 0.75 per cent on deals of up to £5,000 and 0.25 per cent on the next £5,000, with an administration charge of £1. Although the bank or broker route is more expensive, you do have more flexibility when it comes to choosing when to buy or sell. Your broker should also be able to advise you about which particular issues to buy, and whether it is ex-dividend or approaching the dividend payment date.

Given the strong rally in the gilt market over the last three years, investors going into the market now are likely to find stocks are trading above par (in other words, above a price of 100). Gifts are redeemed at par, so you will make a capital loss if you hold onto such an issue until maturity. A broker should

be able to advise you when to switch into a new, more attractive issue.

Income from gilts is taxable but capital gains are tax-exempt. However, capital losses on the gilts cannot be used to offset other capital gains. If you buy gilts through a broker, you are buying them from the Bank of England register and your income will be paid net.

Non-taxpayers can also buy gilts, but if you want to receive your income gross, you can transfer £5,000 nominal of any one stock in any given calendar year from the Bank of England register to the NSSR.

3. The unit trust route. If you prefer to leave the management of your portfolio to someone else, but have a relatively small amount of money to invest, probably the most efficient route is through a unit trust. But be warned: there are plenty of gilt unit trusts which have underperformed the FTA British Government All-Stocks index in the past 12 months.

As a unit trust investor, you are liable to both income and capital gains tax (but you have a 20% capital gains allowance). Unit trusts also charge: apart from a front-end fee (between 0.4 per cent and 1.25 per cent), there is an annual fee (of 0.75-1.25 per cent).

Finally, remember that investing in gilts is more risky than putting your money on deposit in a bank or building society, since gilt prices can rise or fall.

A case of statutory sex discrimination

Q&A

BRIEF CASE

My wife and I are both in the 65-74 age bracket, but, while I have an income above the limit below which I could claim some or all of the related married couple's allowance, my wife has a much lower income and could claim all of it.

If I elected to transfer the allowance from me to her, could she then claim the related married couple's allowance? The law allows her to do so, but she cannot but, for the life of me, I can't see why not.

The office is right; parliament has forbidden the transfer of anything more than the basic £1,720. This is explained briefly in the free pamphlet IR21 (Income tax and pensioners).

If you object to this piece of statutory sex discrimination, you might like to write to your MP at the House of Commons, London WC2A 0AA.

Transfer could be costly

I will soon be able to transfer a married couple's allowance to my wife, but I am concerned that the transfer will be subject to CGT. Since the gain exceeds the allowance, I intend to transfer some shares to my wife, which she will then sell. How will the gain be taxed for CGT, assuming that all transactions happen on the same day?

Your tax inspector (and your wife's) could well take the view that you have merely used your wife as a nominee or puppet, so that any gains are assessable upon you alone. You have the right to appeal, as outlined in the free pamphlet IR37 (Income tax and capital gains tax: appeals), but we doubt if you would succeed. To make clear that your wife is acting on her own initiative, and that your gift of shares reflects a bona fide wish to give her a measure of financial freedom, it is preferable that no sale take place until after the shares have been registered in her name for some time.

The proceeds, and any dividends in the meantime, should be credited to an account in your wife's sole name (to which you have no access). None of the money should find its way back to you, even indirectly.

They've moved my file

Does a taxpayer have any right to ask that his tax affairs be dealt with at an office close to his residence?

Mine have been handled in the local IR office in Devon for the past 13 years, which is handy for local telephone calls and visits. Now it says my affairs are to be handled in Newcastle-upon-Tyne, 300 miles away.

The only reason it gives me is that Newcastle is the nearest of the major part of my pension income.

Write to the Controller, Inland Revenue South-west Regional Office, Finance House, Barnfield Road, Barnfield, Barnet, Herts SG5 1BQ (quoting your tax district and reference number) and explain why it makes sense for your tax affairs to continue to be dealt with at your local office.

You should also ask for a copy of the leaflet IR20 (You and the Inland Revenue), which is available from the regional office or your local office. At the same time, you might like to write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London WC2R 1LB, for a free copy of Budget press release IR3 (Self-assessment and simplification of personal tax).

Investing for grand-daughter

For nearly 20 years, I have been putting about £60 a month in an investment trust savings account on behalf of my grand-daughter, now four. The shares are in my name. I intend to continue investing until she is 18.

The investment will no doubt become a substantial sum while, at the same time, producing significant dividends. Am I entitled to claim a tax refund on the dividends?

Also, when she reaches the accumulated investment at 18, if/when she sells the shares, will any associated capital gains be her responsibility and not mine?

The fact that you have kept the shares in your own name (instead of simply handing the monthly gifts of shares over to the girl's guardians for investment on her behalf) might be taken as evidence that,

although you plan to give the shares to your granddaughter one day - when she is 18, for example - they remain your own property at present.

You might wish to transfer a small amount of the shares to your daughter by sub-sections 7 and 11 of clause 89 of the Finance Bill, as published on January 11.

The restoration of indexation relief for gains on building society shares will benefit trustees, in particular, on the occasion of disposal at market value (when the market value reflects accrued income and is, consequently, above par).

Exemption from CGT

I am out of work and receiving unemployment benefit plus a small occupational pension which, because I am under 65, is untaxed. I do, however, have in both shares and traded options and am showing a reasonable profit at the moment. I realise that capital gains tax is levied at whatever rate of tax one pays on income, so could you confirm that, as a non-taxpayer, my earnings on shares and options are exempt?

Section 263A of the Income Tax Act 1988 states that the small estate exemption (the present £10,000 tax year) is liable to pay capital gains tax on the following scale: No CGT on the first £2,500; 20 per cent on the next £2,500; 25 per cent on the next £2,500; 40 per cent on the rest. Ask your tax office for the free introductory booklet to capital gains tax, CGT14.

Supplementing a pension

I have retired and, to supplement my pension, I propose letting two rooms in my principal residence as bed-sits under the government scheme which allows an annual income of £2,000 without tax liability.

1. As this is my principal residence, will letting the rooms affect the CGT exemption?

2. If I keep within the CGT limit, need I declare this income on my annual tax return?

1. No (so far as we can deduce from the law given). 2. Yes, your tax office for the free pamphlet CGT14 (Owner-occupied houses) or IR37 (Rooms in let).

When a gain can be a loss

My CGT, I understand that indexing the cost of shares is no longer permissible if they are sold at a loss but is still available when a sale results in a gain.

My I buy shares for £1,000 and sell them for £1,400. There is a gain. I am allowed to index the cost. But what happens if the indexation allows the cost to rise from £1,000 to £1,600. A money gain of £400 has become an indexed loss of £200?

Indexation is not permitted to increase a loss, what should I do? Do I declare a gain of £400, a loss of £200, or nil profit?

The answer is neither a chargeable gain nor an allowable loss. If you have cost £1,000 and sell in a month for which the indexation factor is 60 per cent, it makes no difference if the net proceeds are £1,600 or £1,000: the small CGT purposes is nil.

Write to the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB, for a (free) copy of the Budget press release IR28 (Capital gains: indexation allowance and capital losses).

Eligible for indexation

In Briefcase (January 15/16), you say CGT indexation can now be used to mitigate gains but not to increase losses on gilt unit trusts. Could you tell me:

1. Does the application of indexation apply in retrospect from the date of purchase or only from the date when the Finance Bill became law?

2. Does the new rule apply to all gilt and/or fixed-interest unit trusts?

What is the CGT position regarding transfers of invest-

ments (unit trusts) from spouse. Do such transfers, carried out in accordance with the stock transfer form, now constitute a disposal by the transferor, or does the original rate still apply for indexation?

1. All assets disposed of after March 29 last are eligible for indexation allowance from the month of acquisition to the month of disposal (up to the amount of the unindexed gain, if any).

The denial of indexation relief against gains in gilt unit trusts etc (after March 19 1990), and on shares in UK building societies and industrial and provident societies (after July 1 1987), is to be abolished by sub-sections 7 and 11 of clause 89 of the Finance Bill, as published on January 11.

The restoration of indexation relief for gains on building society shares will benefit trustees, in particular, on the occasion of disposal at market value (when the market value reflects accrued income and is, consequently, above par).

2. Such transfers have always constituted a disposal by the spouse and an acquisition by the other; but they have been, and continue to be, treated as made for no consideration so will give the transferee neither a gain nor a loss.

The difference, broadly speaking, which is made by sub-sections 4, 5, 6 and 11 of clause 89, is that a transfer after November 29 will not give the transferee the benefit of the transferor's indexation (up to the month of the transfer) unless, and then to the extent that, the transferee has a potentially taxable gain on her or his disposal of the asset.

In making plans on the basis of the Budget proposals and the original (417-page) version of the Finance Bill, we must bear in mind that the Finance Bill is amended constantly by the government of the day during its passage through the House of Commons. The Finance Bill is unlikely to reach its third reading until quite late in April.

(7) Sections 103 (collective investment schemes, etc.), 111 (building society shares), 182 to 184 (groups and associated companies) and 185 (oil industry assets) of that Act (all of which relate to the allowance) shall cease to have effect.

(11) This section shall have effect in relation to disposals made on or after 30th November 1993.

Establishing the facts

I have some questions on capital gains tax.

1. I hold shares in a company that went into receivership in 1991 and was declared (or so I understand from a circular the company sent me) as nil value by the Inland Revenue.

Can I index the shares to the value when the Revenue declared them nil value (the value before the Budget)?

2. I hold shares in two companies from the early 1980s. Both were registered in the Inland Revenue and both have "disappeared from the scene," probably because they were fraudulent. Am I entitled to indexation on these shares?

1. If the company was still in existence on November 29 last year, then you will get no indexation allowance at all, as you will see from the free Budget press release IR28 (obtainable from the Inland Revenue Public Enquiry Room, Somerset House, Strand, London, WC2R 1LB).

In saying this, we are assuming that you mean you did not make a negligible-value claim (under section 262 of the Taxation of Chargeable Gains Act 1992) before Budget day.

On the other hand, if the company was struck off (or otherwise ceased to exist) before November 30, you will get indexation allowance up to the day of striking-off (or extinction), and the indexed loss will be deemed to have arisen on that day, by virtue of section 261(1).

This says that "the occasion of the extinction of an entity shall, for the purposes of this Act, be deemed a disposal of the entity."

If the companies were liquidated, then you will get no relief at all because that you lost was sterling, which is outside the scope of CGT, presumably.

If the companies were real, then the answer is the same as question 1. In practice, of course, the act of trying to establish the facts is the satisfaction of the Inland Revenue (or, on appeal, the General or Special Commissioners.) It is prohibitive.

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DESPATCHES

The night that friends turned into murderers

Gillian Tett thought she knew the gentle people of a valley in Tajikistan. But that was before civil war set neighbour against neighbour

I thought I had misheard my friend Jamila when she said: "They took the men out and killed them..." For a few seconds, the words hung in the air while I stared in shock. On my lap, Jamila's little daughter was putting muddy fingerprints all over my notebook. In one corner of the village house, a television was playing spongy Iranian pop music. But Jamila herself was terribly still. "You killed them?" I asked, stupidly.

Jamila thought I had not understood. She was a flour-covered figure across her throat. "Dead, dead," she repeated slowly, in English instead of her native Tajik. Prehending, her little daughter mimicked her.

"Do they do that type of thing in England?" Jamila, slowly, I did not know how to reply.

When I went out from Moscow to visit this remote village in Tajikistan, where I had spent 12 months working as an anthropologist, I expected the worst. In England during the past year, I had heard bits and pieces of the civil war there. It was unlikely my friends in this valley had escaped entirely. Indeed, I was suspecting they might have been victims.

But killers? That had never occurred to me.

These people did not match the pictures that I had seen from Georgia, Azerbaijan, Afghanistan or Bosnia. They were simply ordinary and kind to me, really violent.

At least, they had when I sat with them during a winter gossipping, laughing, watching the Mexican television. They were not addicted to drugs and then travelled to them in summer to their pastures where I got thoroughly bored while they were their goats.

When, months before, I met a group of villagers during a demonstration in the Tajik capital, Dushanbe, they were clutching shopping lists, not rifles. And although I wondered occasionally what was happening on the ground, I could never match the news reports mentally with my photographs and memories.

But then, sitting in a pizza restaurant in Moscow a few weeks earlier, I heard something that alarmed me. A Dutch diplomat, who had been in Tajikistan during the civil war, mentioned



Tajik villagers in the happier times before the civil war disrupted their lives. Villagers such as these have now been caught up in a cycle of ethnic hatred and fear.



casually that the valley had been captured by anti-communist forces.

That hit me with a jolt. Then, and even worse, I realised that, since my friends generally were pro-communist, they would have been the first to be killed if the opposition really had taken control.

I flew to Dushanbe immediately and began asking questions. The city, once as green and calm as a central Asian Milton Keynes, was scarred by war. Russian troops and aid workers had overrun the hotels. A chronic fuel shortage had brought the cars to a standstill and people were in the streets after 4pm.

Since no one seemed to know what had happened to the village, I took a car into the mountains with

a driver and his son who declared cheerfully, that he was a martial arts expert. As we bumped along the road, I asked for news. Why were all the bridges in the area destroyed? Was it floods?

"Just earthquakes," he said, scornfully - and I felt a little foolish.

And when, finally, I arrived in the village, it seemed for a few minutes nothing had changed. A roadblock had been set up, but the goats were wandering around as usual. And although the opposition had passed through the mountains, scaring the shepherds and stealing some horses, only a few people had been killed.

I concluded, a little smugly, that I had been right all along - these

people were not violent people. Then, when I had been piled with more plates of mutton soup than I could possibly eat, I stopped to see Jamila (for obvious reasons, not her real name).

She is an elegantly featured and intelligent woman who often had lively debates with the local Communist Party and Britain's prime minister, Margaret Thatcher. When once I showed her an English coin she asked me, admiringly, if that was Thatcher's head on it.

This time, however, she started talking about the Pamiris. At first I hardly listened. Although the Pamiris were generally supported the opposition, had been

the biggest victims of the civil war, they lived far away - in

the Pamir mountains at the foot of the Hindu Kush.

A handful also lived in this particular valley, but they had been there so long that the Tajiks worked with them, ate with them and went to their weddings. To the casual observer they seemed identical to the villagers.

Indeed, one particular Pamiri boy, who looked like James Dean and had a highly suggestive swagger, was considered a heart throb by many of the village girls.

"They took the Pamiris," Jamila told me, slowly. Then she began a monologue so intense that I suspect she had never voiced it before.

Her story was this. One day, after months of fighting, isolation and fear, government forces entered the

valley. They asked Jamila's husband and the other village men to find the Pamiris.

Terrified, the Tajiks descended on the houses of their Pamiri neighbours. And then, as darkness fell, they took them up into the hills and killed them.

Exactly how they died, Jamila did not say. But the detail that kept recurring to me was that, when the Tajiks walked into their houses, the Pamiris had cheerfully asked them to stay for supper. I wondered if the James Dean lookalike had been there - and, if so, at what point he had realised his fate.

"But why? Why them?" I asked. "These are ordinary people!" I wanted to shout, and then wondered how many thousands of other

wives were now sitting in Tajikistan, Georgia, Azerbaijan or Bosnia, hugging their own untold stories of fear, madness and a terrible night when they had turned on their neighbours.

Jamila did not answer. Probably she couldn't. Instead, she said only: "What happened was very, very bad. They did not deserve it." Later, when her daughter had gone out to play, she sat quietly.

Perhaps she was mourning for the village that, only two years ago, had been so quiet. I like to think she was crying also for the dead Pamiris. Above all, though, I know she was grieving with a terrible fear - because she knows that, if the Pamiris ever return, the next victim of the killing could be her husband.



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PERSPECTIVES

As They Say in Europe / James Morgan

Dutch trick or treat for the Germans

One problem the British scarcely worry about is what they call people from the Netherlands. They have been calling them "Dutch" forever, but the Dutch started to use it to mean the Germans, and not themselves, around 1900.

Schoolchildren in the Netherlands are usually asked, after their first English lesson, "Are you Dutch?" They immediately yell that they are not. Maybe this is what makes them anxious to ensure nobody mistakes them for Germans.

I recall such a moment at a press conference where a Dutch finance minister, I think it was Onno Ruding, was asked what he would do if he were running the Bundesbank. (There was one of the usual ruses about German interest rates going on at the time.) "Never ask a Dutchman what he would do if he were a German," was the reply.

But things are changing in the Netherlands, maybe. At the end of last month, the weekly, *Vrij Nederland*, ran a long piece headed "On our knees before Germany". It was a mildly critical study of a new German-friendly tone in Dutch official policy. "Is a taboo against the Federal Republic being lifted? The new *Deutschfreundlichkeit* is on the map."

Now it is widely believed that it is the British who are mainly responsible for sustaining an anachronistic image of the Germans as scarred, monocle-wearing, swastika-covered thugs.

The truth of the matter is that it is only the British who make jokes and draw cartoons inspired by such figures.

But it seems the Dutch share the same stereotype. *Vrij Nederland* says that the only bit of German history Dutch pupils learn is the bit between 1833 and 1945.

Today, however, Germany is "in" - in political circles at least.

The weekly

reported that the top diplomat, given the choice between taking over the Bonn or Washington embassy, the matter mattered, Bonn.

A new, friendlier atmosphere because of the retirement of Hans Dietrich Genscher, German foreign minister, and the transition of the Dutch opposite number, Hans van den Broek, to the commission. It is that they do not like (I bet you did not know that.)

Germans have no idea what the Dutch think, until their football teams meet and Dutch fans show their backsides

But none of this has seeped down to the Dutchman in the street.

Official line: "If you see your daughter going to an 'an' in Paris, everyone 'Fine'. Even better if she is in the US. To London is good."

"But if your daughter is going to Berlin, everyone says, 'What - an 'an' in Berlin!'"

And, it seems, when Dutch young people go to Germany they speak to each other in Pidgin English. Which is hard to believe as anyone who thinks of Dutch as just a version of German. The Dutch writer, Harry Mulisch, wrote, "The Germans and Dutch speak together, but in a different way."

The latter have looked traditionally in Britain but now have to look the other way now, for the British are partly responsible for the changes taking place in Dutch policy.

"England has turned its back on Europe... and we have to turn ourselves more European," said a former Dutch minister.

This is all quite interesting stuff, but not as interesting as the German reaction: *Vrij*

Nederland cannot contain comment.

Apart from the title ("On our knees...") it was not a hostile piece. But instead of being pleased about the new turn in Dutch official attitudes, a writer in the *Frankfurter Allgemeine* took it all rather grimly.

Germany and Holland there should be a "friendship." Fortunately this is meant ironically. Germany no longer believes in the concept of compulsory friendship.

The article continued with typical pessimism: "There could be a new German-German relationship which would be a step forward. But the 'German countries' at the highest political level, an international friendship, while the political will shows mutual trust and trust is to know nothing of each other."

Actually this is a bit like the Germans like the Dutch and have no idea how they feel. At least, not until the German national team plays football against the Netherlands, when the Dutch spit or show their backsides to German supporters.

The few Germans who take note of Dutch attitudes seem to believe that they are inspired by a reading of the diary of Anne Frank and a desire to see her deported to the camps.

The Dutch minister of culture said he was really trying to give his youngsters a wider view.

The article is, in fact, that much, not only in the Netherlands, but in the German relationship.

After all *Vrij Nederland* says as you will have guessed, from Netherlands.

"Free from what?" I ask them. "Van der Dijkers, from the Germans, of course," they reply.

James Morgan is economics correspondent of the BBC World Service.



Thinking small: Dr Malcolm Gower, chairman of Exteltech, and Dr Phil Rumsby, the managing director, make lasers which can cut notches in a human hair

Minding Your Own Business

The cutting edge of science

Clive Fewins meets two physicists who turned their knowledge of lasers into a business

When Dr Malcolm Gower looks at newspaper advertisements for the correction of short-sightedness by surgery with laser beams, he wonders whether he could have been a millionaire by now.

Five years ago, soon after he and his wife, Dr Phil Rumsby, had founded Exteltech, the laser technology company, he was looking at the same advertisements.

However, instead of plunging into the lucrative world of consumer optics, the two men decided to concentrate on micromachining across a variety of applications, using extremely precise excimer lasers, in which they are international authorities.

Nowadays Gower and Rumsby travel the world, and receive from many countries come to the Royal Greenwich headquarters of what chairman Dr Gower calls "the world's most precise hole boring operation".

An example of what this company can do is seen in the company's display area. A photograph shows an electron microscope which has been used to cut precise notches in a strand of human hair.

In an adjoining laboratory, there is a small production line for a commercial customer where a laser bore microscope holes in catheters for heart monitoring in babies.

This work earns Exteltech £100,000 a year. It undertakes similar work for the electronics industry, inserting optical gratings or windows in optical fibres, to which measure temperature and stress changes.

In 1985, shortly after Gower and Rumsby, had founded Exteltech in a former slaughterhouse building in Oxford, they were asked by a London ophthalmology professor to explore the use of lasers in eye surgery.

They successfully researched the use of lasers in corneal sculpting - now a widely advertised private treatment - but decided against developing equipment for that application.

"We thought very hard about it but decided that the amount of money involved in developing the equipment would have

been seeking major venture investment - something we did not want to do at that stage," Gower said. "The potential was vast but it was too early in the company's history. We would have lost control of Exteltech."

Instead the pair continued to work at the place where they met, the Rutherford Appleton Laboratory in nearby Abingdon, for several more years.

"We agreed that we should always give the maximum of profits," Gower said. "Our borrowings have never exceeded our draft limit, currently £150,000."

Exteltech is still a research-intensive company, specialising in developing high powered short wavelength lasers to perform tasks that cannot be seen with the naked eye.

"Five of our 30 employees are from the majority of the others have science degrees. The Exteltech team we use were only invented in 1991, and they are only just being used as industrial tools. Here we combine research that would not be of place in a university with collaborative projects with major manufacturers," Gower said.

About 50 per cent of the company's turnover comes from commercial contract research and development.

About 25 per cent comes from British government and EC projects. For these projects the company gains only 50 per cent funding, so it has to find half the cost.

"Generally we only get involved in part-funded projects that we would like to live with. We have had sticky moments when building a machine that cost £100,000 and face a immediate bill of half that amount for buying in components. However, the bank is usually sympathetic when we are in a huge cash flow trough."

"They have no doubts over our profitability, and have the comfort of knowing that we are our three buildings out-right."

"There are many laser producers who would like to work closely with us, and we have good relationships with biomedical and electronic users. It's nice to be liked."

Exteltech, Hanborough Park, Long Hanborough, Oxford OX8 9LJ 0893-883324.

jects that we would in any case want to undertake as a company," Gower said.

Exteltech aims at 40 per cent profit on turnover, although Gower admits they have yet to hit that figure.

The company has expanded in the last three years, with the purchase of two other industrial units on the park where it is based, one of which is rented out to a hi-tech start-up company in which Exteltech holds a 30 per cent share.

The main reason for the big expansion in the last three years is the Exteltech Series 7000, a complete excimer laser microdrilling system. Each machine is built to order and can be used to drill holes in materials up to 200,000 and 500,000 Exteltech builds up to 12 a year.

"All the machines are designed and built here to the customer's specification. No two are the same," Gower said.

It is a highly skilled workforce that switch from batch processing one day to assembling a machine the next, but the team of research scientists, software specialists, designers and mechanical designers is able to cope.

"We need to expand when we need to and when we want to," Gower said. "Our market is so specific and our products so specialised that we can usually see the need and can adapt ourselves accordingly. For a small company we probably do not have many things and we are still not entirely clear about the best way of marketing."

Confirmed superconducting temperatures leaped to -140°C in 1987 and -148°C in 1988. The current record is -149°C in an oxide of mercury, barium, calcium and copper, though there are unverified reports from months ago of superconductivity at -239°C - fantastically close to the target of room temperature superconductors.

Already, however, the proven materials are comfortably above -196°C, the temperature of liquid nitrogen, an industrial coolant which is as cheap as milk.

Why are they not in widespread use already? In the first place, the ceramics are fragile materials - far more difficult to work with than silicon and semiconductors so far used in electrical and electronic engineering. A particular problem is to make individual devices within

"Our great strength is that we can move fast when we see a new technology. We can never beat the Japanese at manufacturing, but when we have technology that we are good at explaining there is foreign customers, who are happy to move here for lengthy sessions."

Exteltech's half of the 7000 Series machine, Gower and Rumsby are grateful that the percentage is so high. Manufacturing such expensive machines creates problems of cash flow.

Cash up front, for a machine that might cost £500,000, is something that large multinationals are loath to supply in a world where the other half of the world, he said.

"We have to live with it. We have had sticky moments when building a machine that cost £100,000 and face a immediate bill of half that amount for buying in components. However, the bank is usually sympathetic when we are in a huge cash flow trough."

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supercomputers, millions of times faster than the present generation. It is also the basis of the SQUID (superconducting quantum interference device) which detects tiny changes in external magnetic fields, such as those produced in our brains when we think.

Scientists discovered superconductivity in 1911 in mercury cooled by liquid helium to -269°C. That is just 75 degrees above the lowest temperature conceivable possible (absolute zero) at which all molecular movement is stilled.

For 75 years scientists experimented with other metals and alloys in an effort to achieve superconductivity at higher - and therefore potentially more useful - temperatures. By 1986 the highest recorded superconducting temperature had crept up to -250°C, which still required expensive helium

The Nature of Things

Superconductors hot up

Here are some predictions for the year 2020. We will be travelling on magnetically levitated trains at 300mph. Power will be transmitted across continents without the usual loss. Giant electric "batteries" will run a city for a whole day. Electronic sensors will be sensitive enough to detect a single molecule in a sea of billions.

These innovations will all result from research into superconductivity, the ability of some materials to electrically resist a kind of frictionless electric wire.

The world's physicists have been working frantically on the phenomenon since the first discovery of superconductivity in 1911.

In the initial aftermath of the discovery, expectations about the speed with which the phenomenon could be put to practical use - and within three years they were expressing disappointment about the lack of progress.

In fact superconductivity research has moved pretty fast. All the applications originally foreseen are still in prospect and the technology stands on the brink of commercial exploitation.

Superconductivity has been important practical use. It can flow for ever round a superconducting circuit. This is the basis of proposed power engineering

applications, such as in electricity cables, and in "battery" coils to store energy for use at peak periods.

Superconductors can generate intense magnetic fields of their own and strongly repel external magnetic fields. These fields are powerful enough to lift a train off the track and propel it at 300mph.

On the micro-scale, electronics can jump instantaneously between two superconducting components. This so-called Josephson effect would be used to build portable

cooling. Then Karl Müller and Johann Bednorz made the breakthrough for which they won a Nobel prize in 1987.

They created a ceramic material - quite different from conventional metal superconductors - that lost its resistance at -248°C. The 79°C improvement may not sound much but it is the world's physicists, who saw the huge leap in pushing superconductivity to much higher temperatures by playing with the composition of these ceramics.

But the first commercial ceramic superconductors are at the other end of the scale. Electronic devices made from material laid down in microscopically thin layers. Early models are being used for military purposes in the US, but the civil telecommunications industry is expected to start buying them later this year.

It took 10 to 15 years for two of the 20th century's other key physical discoveries, the transistor and the laser, to find widespread application.

The real disappointment is at the moment rather than the practical level. Scientists do not really understand how the material can carry current without resistance at such "high" temperatures. The material has something in common with the banded structure.

Another Nobel prize is waiting for anyone who comes up with a comprehensive theory of superconductivity.

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SPORT / MOTORING

Rugby Union/Five Nations

Twickenham without beers

Tom Fort used to spend lunch in a pub and the match in agony. He is wiser now

I my feckless youth, the notion that international day required strategic planning never entered my head. We simply went to a pub - any pub - and drank beer until it was time to go to the match. Afterwards we went to a pub - any pub - drank beer until it closed, or we could drink no more. We went home feeling hilarious, woke up feeling vile, and ran it off on the rugby field on Sunday afternoon.

With the passing of years, shortcomings were in this approach. Increasingly, the pre-match pub side of things palled. You would stand for ages crissed on all sides by red-faced prep forwards and hulking second row men, deafened by patriotic bawling and thunderous denunciations of selectorial idiocy. Fighting your way to the bar was bad enough; getting back to your cinnams without purling the ale down someone's neck required an improbable degree of resilience and dexterity.

Then there was the matter of the

bladder, which I will not go into in detail for fear of giving offence. Suffice it to say that of the 50,000 or so attending a rugby international, three-fifths at a conservative estimate will arrive with bladders full: that of these, three fifths will need to relieve themselves again before the game is over; that no sporting arena on earth boasts the facilities to cope with such demands; and that the inevitable consequences are distasteful to most souls like myself.

In addition, in those days we used to stand, and once you are jammed into the crowd there is simply no escape however urgent the desire to

do so. I shudder at the memories.

Twenty years ago, we went to see France play France at Twickenham. As always, it was the game of the day, and we had standing tickets for the east side enclosure. We were our first to the Orange Tree at Richmond. It was my school brother's first trip to Twickenham, and I advised him to restrict himself to a couple of pints.

In the annoying way eldest brothers have, he ignored me and drank six. We got the ground in good time, and by the time the ref blew his whistle, we had battled our way to a first rate vantage point on the halfway line. Scarcely was the

ball in the air than my brother gave an anguished cry. He turned, and was swallowed by the throng, and was not seen again that day.

Paris showed us there could be a better way. In the absence of heaving pubs, we developed the habit of lunching expansively on oysters, andouillettes, choucroute and wine at the Brasserie Du Gard Du Nord, before travelling in orderly fashion to the children of France known as Parc des Princes. Afterwards, admittedly having had a beer or three somewhere, we would dine in a Michelin approved restaurant and discuss the match like the civilised men we were.

We went to see if we could duplicate this refinement in west London. Another of my brothers, a man steeped in foodism, was deputed to find somewhere suitable. He took us to a little restaurant called well, actually I don't think I will tell you, for obvious reasons.

It is close to a railway station, and opposite a tolerable pub, for those unable entirely to shake off the old ways.

The advantages are that the crowds are absent, and there is parking, and peace.

The restaurant is a ram establishment. It opens only at lunchtime, and has no licence which makes it

extremely cheap, as you bring your own wine. The dishes have not changed in a dozen years. Each time, I seem to eat liver in the provençal style, and each time I think what a thoroughly decent dish it is.

There we gather, eat, drink, explore shared memories, organise the sweepstakes on the score, analyse the prospects, make a certain amount of noise but not too much, I trust.

Then to the match, with passably clear heads and blessedly unstrained bladders; then to the pub, where the beer is to be somewhat less decorous, and sometimes not decorous at all; then home by train and taxi.

In all this there is the satisfaction of having a good day, without behaving like an oaf. It is a pleasing routine, which lightens the darkness of dreary winter. And never let anyone try to kid you that sitting at home and watching the game on TV can come within a mile of matching it.

Olympics
TV's ice queens

Jurek Martin

CBS Television in particular, not mention US sportswriting in general, really owes a lot to Tonya Harding. The venerable network, in the dumps after it was outbid by Rupert Murdoch's Fox for the rights to cover American football, cannot have many hopes of the Winter Olympics in Lillehammer would be its salvation.

America has nothing against Norway and loves skiing. But a two-week diet of luge and bobsled never looked likely to quicken the pulse of the great American viewing public.

Tonya, the brat from the wrong side of the tracks, changed all this, because she is the melodramatic queen of the moment. It matters not a whit if she wins a skating medal, which she probably will not, nor even if her great rival Nancy Kerrigan does, which she may, thus warming a few hearts. The mere fact that Lillehammer brings the two together after all the charges that Tonya conspired to cripple Nancy is enough: it is soap opera incarnate.

This alone has justified the CBS approach to the Winter Olympics, which is designed to overcome a particular problem: that, because of the time difference, the results of almost every event are known even as Americans eat breakfast. Thus the Games have been treated less as a sporting spectacle, and more as a melodrama on the hypothesis that behind each competitor must lie a human interest story.

□ □ □

Now, some human interest stories are more interesting than others. There is only so much that can be extracted from the nobility of Norwegian speed skaters, even one as seriously injured as Johann Olav Koss. US competitors are better material, especially when they win - Tommy Moe, naturally, the Norwegian extraction, and Diann Roffe-Strommen, in skating and, after another tug-of-the-heartstrings effort, Dan Jansen in speed skating. But Tonya is in a league of her own and the ratings have soared.

The US writing press has occasionally taken refuge in non-Tonya subjects. Take Tony Kornheiser of the Washington Post on "the dumbest Winter Olympic medal sport," mogul skiing. "Each run takes about 30 seconds, a perfect length of time for the skier to be aiming at - someone with the same name of a barn owl."

Or Dave Barry, the syndicated columnist, on the news that some bobsledders took dope. "This is extremely alarming news, because it seems to suggest that there are bobsled competitors here who are not on dope. Let me just state that I, personally, would not consider going down a bobsled run unless huge quantities of narcotics were coursing through my bloodstream."

But even Barry has to come back to Tonya. "I want to stress, however, that I am not putting dangerous substances of any kind into my body, other than mass quantities of Norwegian beer," Tonya Harding is finally here. We in the American media are so happy about this we want to hurt our hats in the air, but of course we don't, because our hats would freeze solid and break off like Number 8 spaghetti."



Playing for Wales: scrum half Kyren Bracken puts the boot in for England. Rule changes have rewarded kicking, making it more American football than rugby football

Chris Oakes/Alamy

England began last year's Five Nations Championship with a one-point win against France 16-15 and then lost by a point to Wales 9-10. If justice has anything to do with rugby, England would have to beat France and Wales to win the title.

Two years ago against Scotland it was the same story. This time it was not just Carling who failed to read the game but his lieutenant Brian Moore, who led the pack. Time and again, Neil Lawton was exposed at the end of the line-out, time and again he came off the scrum, time and again he was lured into unsupported runs, time and again he was ambushed.

In recent years the public has revised its expectations from England always winning, so England always winning with something in reserve. This afternoon a one-point win for England over Ireland at Twickenham will count as a national triumph.

The team will not only

What England expects

Derek Wyatt looks forward to a tactical battle at Twickenham

beat the Irish, but must beat them comprehensively; for the England management has decided that this is the side that will beat France, the strongest team in the competition, in Paris in a fortnight.

England's back play is constipated. I am tired of reading that the new laws make it more difficult for the three quarters. At the Parc des Princes in October, in the Test between England and Australia, Lynagh destroyed the French side by running and attacking them whenever he had the ball in his hands. He hardly kicked at all.

Only Stuart Barnes and Mike Catt, both of Bath, can follow Lynagh's example in England. The team has a fine pedigree but his game has always lacked vision.

Ireland will be a real test. Jon Callard and Garryowen. Neither of the Underwoods is secure under high balls and Callard, who remained largely untested against New Zealand, struggled when Scotland used this ploy. I would have preferred Ian Hunter to play on the right wing to act as a sweeper for Callard or even to switch with him in certain circumstances. Gone are the days when wingers just stayed on their wings.

Tony Stewart is a try against the All Blacks by carrying the ball under the wrong arm so he could not hand-off his tackler. He did it again in the Scotland game and again missed a try. He is fortunate the selectors have patience. In player parlance, he owes

England one: in my book, he owes England two.

For Ireland, Eric Elwood has been magnificent. Magnificent at kicking that is. But the Irish strategy is hard to read. Elwood will soon be compared to an illustrious predecessor, Tony Ward, who was frequently criticised for playing just a kicking game. Will Elwood be allowed to play a wider game and is he capable of it? Poor Simon Geoghegan - the Irish winger must be starting to feel a forgotten man.

Against France, Ireland had one tactic: to kick the ball over the French defensive lines. It failed but they went on playing that way and appeared happy for Elwood to kick goals. Even though these tactics lost against France and Wales, I doubt

that they will be any different at Twickenham.

The French take an unchanged side to Cardiff where they have not lost to Wales since 1982. The French front five is one of the heaviest in rugby history, but the back row of Abdelatif Benazzi, Philippe Benetton and Marc Cecilin could be severely tested. All three are specialists in their lack of mobility in the loose.

The Welsh had done the psychologically difficult bit - they won their opening game against Scotland and followed it up with a composed win against Ireland. But their chance for their first Grand Slam since 1978, has been undermined by injuries to their backs.

The shortage of tries and the

increased importance of penalties, such as the controversial kick for handling in a ruck that gave England victory over Scotland, have exercised the rugby world this past fortnight. Since rugby is supposed to be a handling game, I do not understand why it is an offence to handle in the rucks, provided the player is not preventing the ball being played.

The laws governing penalties are a muddle. The "double" penalty that allows sides to kick to touch and still gain the throw in has made the game even more important. From the line-out the fly half then kicks the ball up in the air in the hope of winning the scrum from the ensuing "turnover" man or ruck. This is American football not rugby football.

The penalty laws have so changed the nature and balance of the game that the laws committee should reverse them at the end of these championships. They could also add a rider that an offence committed in the "penalty" area at the defensive side's 22 should result in a penalty in front of the posts.

Renault's significant new model, the medium-sized Laguna, makes its debut at the Geneva motor show in just over two weeks and arrives in British showrooms in April. Its appearance with right-hand steering so soon after the mainland European launch shows how seriously Renault takes the British market - especially sales to business users and company fleets.

Renault is having a production recovery in Britain where it sold just over 93,000 cars last year - its best performance since 1979. The Laguna, successor to the old Renault 21, will compete mainly with the Ford Mondeo, Opel Vectra (Vauxhall Cavalier in Britain), Peugeot 406 and Citroën Xantia. But it will also be an alternative to the British-made Nissan Prius, Honda Accord and

MOTORS

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Motoring/Stuart Marshall

Renault's executive ploy

Toyota Corolla E.

When does it make sense to buy a strong opposition? At a probable price range of £10,500-£19,000, it should give any of them a run for their money.

The Laguna is son of the last Renault's large, executive-class car - and not a big version of the Renault 11. Along with the Renault 11, it is the most distinctively styled vehicle in its class.

All present, there is just one body: a five-door executive that will be marketed for a four-door saloon. But it will include a family model with three rows of face-forward seats, as expected in 1995.

To start with, only petrol engines will be offered - a 1.8-litre, 95 horsepower version and a 2.0-litre, 115 horsepower version, plus a V6 170 horsepower. But a 2.2-litre, 85hp diesel joins the range in Britain in October.

As a design, the Laguna



Laguna landscape: the Renault should give rivals a run for their money

breaks new moulds. It is a conventional, transverse-engine, front-wheel driven car. Five-speed manual transmission is standard on all but the UK-specification V6. This will come with a four-speed automatic, also available on the two-litre and extra on the suspension uses MacPherson struts (combined coil spring and damper units) at the front and torsion bars at the rear.

There are three trim levels, so buyers can pick and mix engines and interiors to arrive at a car that suits their pockets and tastes. Every Laguna has power-assisted steering, central locking and electric windows.

With up-market cars such as BMW, Mercedes-Benz and Rover in its sights, Renault UK is loading the V6 automatic with leather trim, air-conditioning, on-board computer and powered sun roof. Everything, in fact, to which the executive user has grown accustomed without unnecessary bulk.

The Laguna offers four people lounging space and would be tolerable for five. Its boot is among the largest in class.

In Tanzania this month, I drove 1.8-litre, two-litre and V6 three-litre Lagunas with manual transmission, and a two-litre three-litre V6. No, not on dirt roads in the game reserves - these remain Land Rover territory - but mainly on stretches of pretty good tarmac which, one day, will form part of a Cape to Cairo highway.

All roads well and felt reassuringly solid. Renault says its aim was to make the Laguna feel like a German car and it

more yielding.

Having been assured there was no speed limit in Tanzania outside the potholed, old banger-infested towns and villages, I gave the Lagunas their heads where it was safe. Even the 1.8-litre cruised quietly at more than 100mph (160kmh), and at 125mph (200kmh) the V6 felt relaxed with power in hand. For a combination of performance and economy, the two-litre was my favourite. It was considerably quicker off the mark than the 1.8 and pulled harder in fourth and fifth gears. It was agreeably nimble on winding hill roads, and the 65-series tyres rumbled only moderately on coarsely-textured surfaces.

The figures suggest the fuel consumptions of the various models will be little different - an average 32-33mpg (8.2-8.56 l/100 km). But with temperatures at times around 40°C, what really set the various Laguna models apart was air-conditioning. In the two-litre and V6, it was appreciated - and sorely missed in the 1.8.

Over a drink before flying home, an expatriate put me right. Tanzania has a 100kph speed limit - although few local vehicles seemed capable of much more than half that.

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MOUNT JULIET

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FASHION: THE GLOBAL WARDROBE - GOING SHOPPING

Brits know what works

In the third part of our series on dress codes around the world, FT writers look at how the people of five major cities dress to go shopping



PARIS

Alice Rawsthorn

On a Saturday afternoon in Paris there is only one place to go to see the French strolling around in their very best leisure clothes - the Conran Shop on rue du Bag.

It is there that you can spot the Parisian families who do not fail to spend the weekend in their country homes. The children are a charming sight. The little girls racing around in Bon Point dresses under brightly-colored duffle coats and the boys bundled up in Levi jeans with matching jackets.

Their mother's weekend uniform for this winter is a dark blue pea-coat, generally tossed over slim black leggings and shiny lace-up boots. The truly chic will have rummaged around their own mother's wardrobe for the city's antique couture shops to unearth an original 1960s Yves Saint-Laurent pea-coat.

The merely fashionable will have opted for a new Prada pea-coat, often enlivened with an expertly tailored silk scarf. The young and funky will have trawled the flea markets to find authentic

US Navy pea-coats in chunky wool with blue anchor buttons.

Parisians look as dapper at the weekend as they do on weekdays. Impeccably faded Levis, with jackets and open-neck shirts are the norm for the bon chic bon genre crowd in their 30s and 40s. Their groovier counterparts favour battered black leather finished off with motorcycle boots.

President Mitterrand and Edouard Balladur, his prime minister, set the tone for the grandfathers' generation. They favour the traditional style of tweedy weekend clothes that the French always think look English, but are so smart they could only come from France.

The only blots on this stylish landscape are the sulky adolescents who may have been bullied into joining the family shop. Teenagers get a raw deal in France. The tedium of listening to the Euro-babble that passes for French pop music, coupled with the trauma of sweating for the baccalauréat, has produced a pallid, pimply crop of Gallic adolescents, generally lowering the sartorial standards in their everyday clothes.

NEW YORK

Patrick Harverson



If you want to know what New Yorkers wear when they shop, follow a simple rule: look where they are shopping.

At Bergdorf Goodman on Fifth Avenue, New York's wealthier women - Tom Wolfe's famed "social X-boys" - wear clothes from the store's collections. At Barneys, either uptown or downtown, the male shoppers dress the way they always have - like members of some kind of European cultural mafia. The women wear black and look grumpy.

A lot depends upon the season. In summer, anything will suffice so long as it is cool and comfortable. And with most of New York's women and children are of the city between July and September, it doesn't really matter what you wear. Winter, however, is different. This is the season for a show, and the show is rarely better than at Christmas.

Picture the scene: a very crowded Fifth Avenue on Christmas Eve. Amid the crush, a tall, elegantly dressed man, arms full of presents, walks a path. He is wearing a Della Rovere cashmere sweater, a pair of Van Dyke pants, and a flowing, warm green Himalayan blanket coat, topped off with a matching turtleneck. Van Dyke hats of various styles are also seen.

As he departs, there is a glimpse of massive dark socks from Brooks Brothers encased in sturdy John Lobb shoes, and the final sounds of the crunch of snow as he steps off the sidewalk into the taxi heading east on 58th Street.

LONDON

Brenda Polan

Britain may no longer be the nation of shopkeepers Napoleon held in such regard but it is certainly a nation of shoppers. It has embraced the American concept of shopping as recreation, hobby, part-time profession and all-absorbing topic of conversation.

From department store to car boot sale, from designer boutique to Oxford shop, the retail environment is home territory to Britons.

Canny, so well-informed, in fact, are modern British shoppers that they have learned most of the techniques the marketing man has on them, and use them back. They do it chiefly through dress, grooming and manner.

The weekly supermarket food shop, for instance, calls for dressing down, no lipstick and a diffident-aggressive manner. Flat shoes, jeans or a long skirt, as at a Barbour, make up the uniform.

The shopping mall day out, rather like the car boot sale, calls for something altogether more rugged. It is here that the dark suit and trainers come into their own as serious shoppers work the malls and corridors, the fast food joints and the service of the car



park. Here there is less respect for others' space, a greater wariness and sense of competition.

This approach would, however, be useless in Bond Street or Knightsbridge. The British know that if they are not to be patronised or dismissed by up-market sales assistants, they must dress up, preferably in smart, fashionable clothing which will make the sales assistant's label-conscious envy. Here they cultivate a non-

conformist manner, becoming demanding and capricious. Only when the assistant has succumbed and demonstrated the proper admiration and respect for the customer's knowledge and taste do they look for antique shops and the dowdy boutiques in Notting Hill, brogues and Hermes scarves for the Bond Street jewellers. When they're shopping, the Brits know what works.

TOKYO

Michio Nakamoto

Shopping is becoming a less frequent activity for the Japanese, if the current retail sales figures are anything to go by.

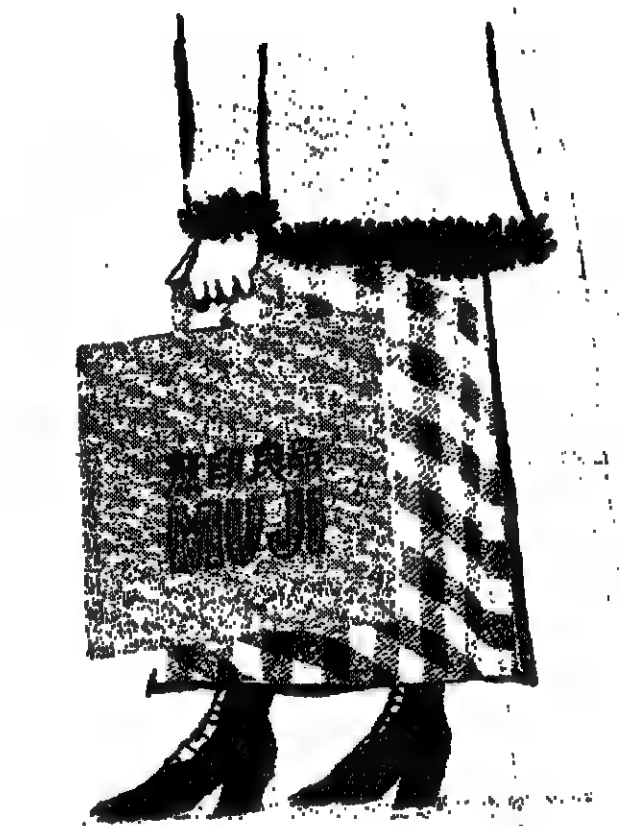
Dressing for shopping, as a result, is a concern that preoccupies them less and less as there is no longer a compelling need to be seen in the very best at all times.

The popular style among young women is the long skirt over boots, topped by a short jacket or big shawl and often a hat. This is new to Japan - there is a definite sense of reversion to practical fashion, a far cry from the extravagance of the go-go years.

When shoppers head to be different depending on where you shop. The said Mitsukoshi and Takashimaya department stores in Nishi-Shinjuku, close to the Tokyo subway station and the main banking district, attract well-heeled women who prefer a conservative look of suits and twin sets.

Closer to the popular residential neighbourhoods, in Shibuya or Shinjuku, the department stores tend to attract a more casual clientele while in fashionable Aoyama, shoppers are keen to be seen in asymmetrical Yohji Yamamoto or Comme des Garçons outfits.

Most striking, however, is the emptiness of the designers' shops and how much space is left over.



Department stores have also become more like retail shopping malls with a variety of tenants, and are losing customers to supermarkets, downmarket shopping malls and discount stores where even attention is paid to price rather than to what people are wearing.

ers to supermarkets, downmarket shopping malls and discount stores where even attention is paid to price rather than to what people are wearing.

FRANKFURT

Chris Parkes



Down some alley off Frankfurt's main shopping drag - precise whereabouts unknown - there must be a workshop devoted to building classic leather jackets.

They do it all every Saturday; skinny young girls with freshly-ironed hair and silly pouts. Recognisable by their uniform black flannel shorts, woolly grey tights and tight black tops, they trail their black duster coats. But they never, ever, carry shopping bags. Their purpose, it seems, is purely decorative.

Which is just as well. Among the Frankfurt hordes are purposeful to the point of obsession. Their aim is to get the best business before the stores close up at lunchtime in the heart of Germany's main governing shopping hours.

Ladies fit from store to store in crisp red blazers and black pants. Young men wander aimlessly in dense felty jackets and the obligatory jeans, wandering off to lunch.

Saturday is the best time of all to see Frankfurters clad in

their infinite variety. A quarter of the permanent population is foreign, and the weekend is enriched by passers-through, tourists and shoppers from other European cities beyond.

What does the Russian say and the Chinese say, immaculate in traditional boots and flosses, make of all those leathers in rustling shell suits and over-sized trainers, videoing their act with such solemnity?

What do the odd German couples in knee-breeches, loden greens and tufty little hats make of the American pan-pipers tooting to attention at the sight of children dressed as up-market rag dolls?

It is all the brief. Nothing more than a snapshot. By three, the shoppers have retreated. The boulevard is once again left to its regular population: a clutch of drunks tottering around the fountain, and black-clad young men waiting for the dark and the more sinister retailing business which characterises the Zeit by night.

Watches of Switzerland

presents

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Spotlight on paper lanterns

Alice Rawsthorn on the revival of a fashion with its roots in Japan

One of the most likely candidates for the design world's comeback is the paper lantern, the mainstay of so many Japanese interiors, which is now back in fashion with a bang.

The glow and hand-made air that made the paper lantern seem so out of place in the stark interiors of the 1950s makes it perfect for the artisan look of the 1990s.

It was the hippy ethos of the early 1970s, but it was the design scene and the post-war Japanese-American sculptor and furniture designer who devised the first modern paper light in his Long Island studio in the early 1970s.

Noguchi was born in Los Angeles in 1924, the son of a Japanese poet who had emigrated to the United States, and a Californian woman who answered his advertisement for a translator. Noguchi spent his childhood in Japan and his time in the US.

He studied sculpture under Constantin Brancusi in Paris before settling in New York where he designed furniture for Herman Miller and sets for the Martha Graham company. In the early 1950s Noguchi



Habitat has produced a selection of Noguchi-inspired lanterns

was asked by the Japanese government to help revive the industrial town of Gifu, which had historically been a centre for the manufacture of candle-lit paper lanterns. Noguchi developed a modern version of these traditional Japanese lamps for use as electric lights.

He designed a series of different lanterns for Gifu in the 1950s and 1960s. These are simple adaptations of the traditional Japanese lanterns for use as electric lights. The full selection is available by mail order from the Noguchi Foundation at his old studio on Long Island and ranges from \$22 for a simple paper pendant to \$636 for an expensive range of lanterns.



Paper lanterns from the Conran shop which has a limited range of Noguchi lights



Habitat has produced a selection of Noguchi-inspired lanterns

objects. He designed the lanterns so cleverly that they fold away into perfectly flat parcels. The *minogami* paper is so fine that there is a very special quality to the light it gives.

The Conran Shop, which has a limited range of Noguchi lights, sells a small lantern lamp for \$22 and a larger one for \$257.

The full selection is available by mail order from the Noguchi Foundation at his old studio on Long Island and ranges from \$22 for a simple paper pendant to \$636 for an expensive range of lanterns.

The Conran Shop also has a limited range of lanterns.

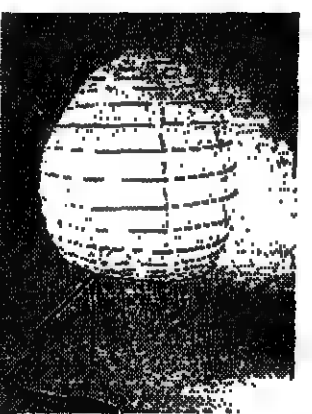
gular paper pendant lights from \$22 to \$14.50.

An excellent selection of Noguchi-inspired lanterns has been produced by Habitat. Its designs are not as meticulously finished as the originals, but the quality of the light is fine, but they are much cheaper.

Habitat sells small lanterns for \$22 and a larger one for \$257.

A number of contemporary designers have brought new versions of the Noguchi lanterns. Matthias Dietz, a German design historian and curator, has commissioned a series of lanterns from 30 Japanese architects and designers including Toyo and Shigeru Uchida. "There's been so much interest in Noguchi recently that I thought it would be interesting to see how modern Japanese designers interpreted his ideas," he says.

Tom Dixon, one of the most enterprising young London furniture designers and another Noguchi buff, has also brought out a range of hand-made paper lights. "I was getting tired of working on heavy furniture and wanted to try something lighter," he says. "I've always loved Noguchi's work and decided to see what I could come up with by making



Habitat has produced a selection of Noguchi-inspired lanterns

ing on a series of intricate paper lights to sell in the shop he plans to open this spring in London's Notting Hill.

He also makes one-off pieces to order. Rei Kawakubo, the Japanese fashion designer, released a collection in black and white the Comme des Garçons shop in New York. "I didn't think they would work," says Dixon. "The black makes them look more like sculpture than lights. But they did give off a strange glow."

Stockists: Habitat, Noguchi Foundation, 20-21 Victoria Boulevard, New York 11106. Tel: 212 278 1111. The Conran Shop, 11 Pall Mall, London W1. Tel: 01753 4611. Habitat, 196 Tottenham Court Road, London W1. Tel: 01753 2545. Design, Scheffels, 5, Frankfurt 60311. Tel: 010 49 69 20000. Tom Dixon, 12 Darnley Street, London NW1. Tel: 0171 793 1001.

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are invited.

Then there is *Nathan*. The Llanilloes house of Morris Marshall & Poole is selling a cottage needing work at Llanbystrymair for \$265,000, while the Llanelloides office has a smart, 19th century (but still Georgian-style) house in the town for £175,000.

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OUTDOORS

Skiing / Peter Whitehead

When Shame comes before Death

It was a straight choice: there were two ways down, the Wall of Death or the Chair of Shame. I will just have to learn to live with the latter.

Everyone wants to ski the wall, a treacherously steep black run in the Swiss section of the Portes du Soleil circuit. And if I had been staying at Champéry for more than a long weekend I might well have given it a try.

But from the comfort of the Chair of Shame you can cut down at the reckless adventurer's bounding gracelessly from mogul to mogul.

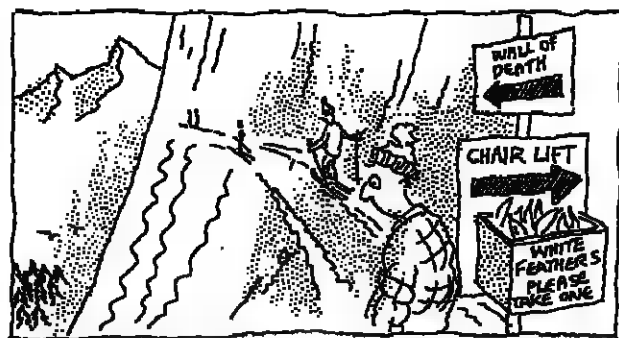
The Portes du Soleil offers skiers a range of challenges - from the wall, above Les Croix, to fun skiing in gullies, to cruising 10 miles from resort to resort, in flitting unchallenged and peaceful across national borders.

It is in the largest international linked skiing area in Europe, covering 100 miles in Switzerland and France, including Morzine, Les

Gets, Châtel, Avoriaz, with its strikingly dark wooden triangular buildings, and Champéry. There are said to be 550km (more than 400 miles) of piste, 225 ski lifts and 650 ski instructors.

There are piste maps that defy gravity in their determination to be comprehensive. The maps indicate the estimated time of each journey to give everyone a sporting chance of catching the last lift back to their base resort. Penalties for becoming stranded can be high - the taxi driver will make sure of that.

With so much to ski, it is worth going for a long weekend. Desperately keen skiers who only come down from the mountain as the coach home is about to leave for the airport must balk at the idea. Any-



one desperate to ski should consider it.

Champéry is 1½ hours from Geneva airport - 1½ hours to make light of the travelling and there are specialist ski travel companies who will use scheduled flights in your timetable. Leave the

office a little early on Thursday, ski Friday, Saturday and Sunday and be back at work on Monday. It can be done.

Surprisingly, we didn't spend all three days queuing to get up and down mountains: there are so many lifts and so much to ski that the only

minor hurdle is the Champéry telecabine (it carries 125 people plus a driver, and takes four minutes to reach the top). But even here the weekend queues only get serious if you go daily over breakfast.

On Saturday and Sunday our guides found us sparsely populated slopes to ski. Especially worthwhile was a 2½-hour session with Jimmy Thomson, Canadian diamond dealer turned ski instructor based in Planchaux, who combined touring the resorts with some excellent tuition. At \$Fr140 for up to five people, it was well worth the wait.

Over the three days, we made the most of an internet 'paradise' around Planchaux, Les Crosets, Avoriaz, venturing as far as Les Lendres. There are wide, fast and

ing blue and red runs every-

where, perfect for improving technique and looking good. Getting back to the Swiss side has been made tremendously easier with the addition of the Avoriaz bypass - a long chair lift between Les Brochaux and Pointe de Mossette, new for 1994.

At 1,955 metres, Champéry cannot guarantee permanent snow in the village, but there is a long run down a winding road when the snow is good, to the neighbouring village of Grand Paradis.

The old village of Champéry itself is far easier to navigate than the slopes above: it has one main street surrounded by chalets, arranged as if a flock of cuckoo clocks had alighted randomly in the valley bottom.

The four-star Hotel de Champéry, with 70 rooms, is in the centre. The dining room is very white linen, but informal enough for skiers, while the Le Mazot restaurant on the ground floor tempted us with sample fondues featuring fish, horse and ostrich. It also has a piano bar and sauna.

Be sure to find your way to the sports centre offering swimming, ice skating and curling. And for a healthy evening out, Val d'Illex is a 10-minute drive. Here there is an outdoor pool warmed to 30°C by natural means, and full of minerals to ease you back into work on Monday.

Peter Whitehead travelled with Ski La Vie, 22 rue de la Vie, 73000 Chambéry, France, 071-736 5611, staying at the Hotel de Champéry, with return flights to Geneva with Swissair. Ski La Vie also offers accommodation at Hotel National and three chalets (catered) at Champéry, plus holidays in Zermatt and Meribel, as well as tailor-made flexible breaks.

F.T. Around the World Ski

More than 100 media correspondents crammed into a Valentine's Day news conference at Breckenridge to mark the expedition's first 50 days, plus Arnie Wilson's 50th birthday.

Wilson, 50, is suffering frostbite on his left ski after a fall at Keystone to mark the expedition's first 50 days, plus Arnie Wilson's 50th birthday.

"To reach the more miles, we spent Tuesday skiing madly, and with the help of night skiing, we managed more than 100 vertical feet in a day - more than the height of Everest."

You could win a skiing holiday for two or runner-up prizes of malt whisky by entering the competition which appeared in Weekend FT on February 5 (copies available from the FT shop, tel: 071-873 3324).

Gardening

April flowers - in February

As this week's snow drifts, spring is in the air. To bring it forward, you need to cut the plants which will be in flower in February. Go into the garden, cut the plants which are showing the slightest sign of their buds, and give them the best of care in a warm house.

By the weekend, they will be in full flower, and you can enjoy them in your house. I spent this week looking at the windowsills at yellow forsythia, cherry blossom and flowering currant two months before their time.

These familiar plants are the best to pre-cutting, but they can be dismissed as easy by keen gardeners who see them as conventional everywhere. Forsythia is the least popular, yellow flowers are regarded too strong and, most often, it is planted by non-gardeners who cannot think of anything else on the front fence.

I have learned, however, to crave it as a cut flower - the brighter, the better. The usual spectable in the response is, of course, pre-cutting, and if you strip the branches now, you save them from the winter. If the usual yellow of spectable is the golden for you taste, look for Spring Glory or the lemon-yellow Dandelion instead. Outdoors, I would only bother with one alternative possibility: auroclaus.

Indeed, if the strongest forms will go to early indoors, I see little point in wasting space on these usual varieties just because they will flower a few weeks earlier than the others if left outdoors.

Cherry blossom is more straightforward. Nobody has the white-flowered variety cherry because it has been showing signs of its coming since November. The white form, Prunus subhirtella, is, therefore, my favourite, although it is a deeper and sharper shade of pink. In March, the white is enlivening

open of its own colour and remains my first choice as a time for gardeners. But there are two moderately early varieties which are just emerging from bud and responding beautifully to early cutting. Both were bred by the late Mr. J. C. Salter.

Robin Lane Fox explains how spring can make an early arrival

Collingwood Ingram, who neither has yet been as popular as his merits demand, is more widely available in the trade: its pale pink flowers are a slight, easily housed tree but has a tendency to vanish when the winter wind sees them. Prunus hiemalis, therefore, my favourite, although it is a deeper and sharper shade of pink. In March, the white is enlivening

in the garden, but it is even better if you pick branches which are in bud and work magic on them with the help of central heating.

These small trees are completely hardy. I would cut them very highly in my orchard or setting against darker backgrounds where they will show the later sugar-pink varieties, which upset civilised tastes.

Pre-cutting is at its most exciting with the familiar old rhod. Right now, the stems are bare, showing only the slightest green buds of future growth. Yet, within a week, they will open indoors into hanging sprays of red and white which we associate with mid-April.

Under golden forsythia, the red that has been coarsened by poor placing and repetition in many boundary hedges, it grows surprisingly well in difficult soil under half trees. It is almost indestructible. Despite its familiarity, I would always put it in my personal top 10. The family has a wider

variety than many gardeners realise but the best is still the deep crimson King of the March VII, which I have willingly brought indoors at the first signs of life.

Like all the coloured rhod, it responds well to hard pruning of the flowering stems. If you cut them now, before they open, you are still cutting them correctly.

I never believed that flowering rhod could be forced in time for Valentine's day until I read this article in a garden piece by Mrs. Sackville-West. Spring now comes early in academic Oxfordshire, with a further bonus for the far-sighted.

When you come to turn the rhod out of its water, you might well find that some of its stems have sprouted white roots. If you see these branches and use light soil to grow them on, they will probably root and grow away freely. Multiply while you can, and be thankful that there is a kinder streak to nature than sudden frosts and snow drifts.



Cuttings from the garden can bring reminders that there is more to nature than frost and snow

Yvonne Humphreys

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Expert? You must be joking

The word has a fine, resonant ring to it. "He's something of an expert in his field..." Yes, it must be a grand thing to be acknowledged as an expert. But how do you achieve it?

It cannot be done by self-proclamation. To introduce your expertise by saying "Actually, I'm a bit of an expert on..." is a waste of time. You must infiltrate their collective consciousness, blind them with your science, and every opportunity to impress upon them that you know infinitely more than they ever thought possible. You must have unshakable self-belief and enough arrogance to

believe the best. A modicum of expertise helps, but when considering my own qualifications to join the congregation of experts on

angling, I must be clear-headed. I have never had an original thought about the techniques of the sport in the 30-odd years I have been at it. I depend now, and always will, on the efforts of others.

I should like to think that I am quick-witted enough to have developed the habit of passing off the bright ideas of others as my own, with a fair degree of success. But the fatal flaw, for me, is that I am not a fisherman.

It happened when I was invited to join a panel of experts summoned to field questions from the Berkshire branch of the Salmon and Trout Association at their annual meeting in January. With me on the platform were two undoubted specimens of the true expert breed: Neil

Patterson, a brilliant chalk stream fisher and outstanding fly dresser; and John, a member of the British fly fishing team and a renowned extractor of monster trout from Rutland Water.

The first question concerned barbless hooks, and I made an ass of myself by regurgitating some theory I had half-read in an American magazine that morning. Then, a lady asked if the panel considered the colour of a fly line to be matter of any importance. "Tom," the chairman said to me, "any thoughts on that one?"

Well, my own fly line was white and is now grey and cracked with age. What concerns me, though, is not its colour but its habit of sinking. I told the questioner that I used a white line I had until I could use it no more, then bought the cheapest replacement. I could tell from her face that this was not the expert's reply.

Someone else ventured if the panel had a particular tie for these parties summer when not a fish will rise. I suggested going home. Patterson proposed using a black fly. I could feel with answer impressed, and it was not mine.

So it went. Did the panel regard a salmon fly tied in a hook superior to a double? The matter had never crossed my mind. Why do so many right-handed fly fishermen hold their rods in their left hand? I could not even remember which hand I use. I said they surely could - but did they know? At least I had a laugh.

Afterwards everyone, from the chairman down, was kind. And I know now that I do not want to be an expert, anyway. When you think about it, what is the synonym for expert? Know-all, which is half so pleasing. No, let me be an anonymous, amateurish mediocrity any day.

Israel's immigrants

From page 1

bey is cynicism. Contrary to what was expected from people fleeing communism, Soviet Jews were responsible in part for electing Labour government at the last general election. Equally contrarily, they may well vote for a Likud government later on. But they are protest votes - not the usual quo and non conditions for new immigrants - rather than votes for anything positive.

Curiously enough, although their enthusiasm for Israel (and Israel's for them) is low, the evidence is that the Soviet Jews have been responsible for an economic upturn. A huge leap in construction and assumption has led to increased production, while growth in exports to Western Europe and the former Soviet Union (engineered mainly by Soviet Jews) has helped to improve trade figures. In fact, more than 10 per cent of Soviet Jews now have jobs, and companies run by them are attracting attention for their rate of growth.

Yet, the feeling persists that the Soviet Jews are assimilating. "We don't see them," people often say. "We don't see their presence."

happens it is because those who are assimilating are becoming Israeli, and therefore, unremarkable, while those who are not will never be marked by the mainstream, anyway. But the assimilation of Soviet Jews is the same thing: we are invisible here, we don't count.

Perhaps, though, it is because there is little pleasure in an immigrant in assimilating. For Illyusha, fitting in is a matter of working out the system and then conforming to it. For someone older, adapting can be a life's accumulated wisdom no longer has much relevance.

Even for those with good jobs and flats, the life has multiplied. Responsibilities have multiplied. More will take many years to form, the attainment of happiness many more.

The experience of Illyusha in Israel could help to explain why Russians in Russia are in a protest against the Soviet Jews. It is imposed from above, no one will undergo them willingly. Illyusha merely shrugged when I asked if he was pleased he had decided to leave. "Happy I left Lvov, yes. Happy in Israel? Too early to say."

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ARTS

Off the Wall/Antony Thorncroft

All change at Arts Council

Anthony Everitt, who resigned yesterday as secretary general of the Arts Council, has one year of his contract still to run, but has been told that he is unlikely to be reappointed. Lord Gower, who has been acting as chairman since April 1, would have wanted his contract renewed. Everitt can now depart on the same day as Lord Palumbo, and an era will come to an end.

The new men may be proud of the money they have taken out of the government over the years: the happy annual initiatives they launched which tended to flounder as cause upstart. It was not specifically the Arts Council's funding which prompted Everitt's decision, but the change came to symbolise a new era at the top.

Significantly, all four men concerned with trying to create a super orchestra - Lord Palumbo, Everitt, music director Ken Baird, and head of the music panel Bryan Magee - are going or gone. Five Council members are also due to retire. Grey Gurney has a playing field in terms of personnel and no obvious organic successors. Everitt, returning to his old life as a journalist, ruefully yesterday that, after spending all this time in the Arts Council, he was now working out new structures. He can enjoy himself with the Arts Council, but he is unlikely to be its successor. It is unlikely that his deputy Mary Allen will fill the post. The front runners must be Colin Tweedy, who has run the Arts Council for many years and earned a bigger job: Timothy Mangan, once head of the British Arts Council and now leading the London Arts Board into a new era; and Mike Elliott of West Midlands Arts, who has been a management consultant turned lover, an outsider.

It looked as if on Wednesday night as the crowd pressed round the building, a security guard tried to calm them with a little success. Tempers were frayed, there was real anger. The disgruntled group of friends of the Tate had forbidden entry to the Picasso exhibition. The Tate had been

completely unprepared for the numbers anxious to see the show. Six thousand turned up; the Tate had to be closed and hundreds went away frustrated. Millbank was locked solid and became a no-go area for hours. The Tate's show was the most successful in the Tate's history. On the first day paid admissions approached 10,000. Only the 1971 Picasso exhibition, which attracted 313,000, is likely to prove more popular.

Don't phone Alan Ayckbourn over the next few days: the nation's most performed living playwright is setting the word about to be his 47th play. At the moment it is shaping up as a work of high-class menace, but it could be a comedy. His last play, *After the Fall*, was a comedy and then turned nasty. Ayckbourn was in Rome this week, which was a surprise as he had been travelling rarely since his return from his last tour, the luxury pen people, was awarding him the European winner of its annual culture prize. He made the trip. The money goes straight into his special cause, the removal of his theatre, the Stephen Joseph Theatre in the Round, from its cramped premises in a former school into a new building in the 1930s Odeon cinema.

With luck the new theatre will open in the heart of Scarborough next spring. There will be a small studio space seating up to 200, and a bigger area, seating 400, and still in-the-round. The project costs £4.5m. Ayckbourn has raised £2.4m and is not proud. "We want one big sponsor and will sell the name. I'm quite happy for it to be called after Mrs. Ayckbourn's granny."

Ayckbourn has no wish to see all his energies in artistic direction of the theatre. "I've got at present ten or twelve plays hanging around in my head." The plays will still flow. But fund raising is his current pre-occupation. "It's hard to prime the rusty Yorkshire pump. When I approach local businessmen they say 'if its going to be that good, why are you doing it here?'"

Anti-abortionists linked to theft of 'The Scream'

The theft of Norway's most famous work of art took a bizarre twist when it was revealed that the ex-communicated, anti-abortion activist from the country's main Lutheran church blundered they may be linked to the crime.

Edward Munch's "The Scream" was stolen last Saturday from Norway's National Gallery in Oslo. The painting had been moved to the first floor of the gallery to allow access to a collection of Munch's emotionally charged works during a special exhibition coinciding with the Lillehammer Winter Olympics.

The theft, which was filmed by video surveillance cameras, has deeply embarrassed the government and caused a public outcry in Norway over lax security at the country's art treasures.

On Thursday an

was linked to Hans Knudsen and Ludvig Munch, the two former priests, was said to be a drawing of a figure with a woman, echoing "The Scream", and asked the question: "Which is of greater value a child or a painting?"

Knudsen, interviewed on NRK national radio, said he would be willing to paint "The Scream" to promote his views. He suggested Munch's painting could be recovered if the controversial anti-abortion film *The Silent Cry* was shown on national television.

The investigation continues but many are sceptical about the link between the two. They believe the pair may have sought to link themselves to the theft in a ploy to gain media attention during the Winter Olympics.

Karen Fossli

Orchestras in London

British music and Mahler

Levine's first performance with the Philharmonia in his first encounter with the London orchestra for nearly 20 years is proving a big draw. In the second, Mahler's Third Symphony on Wednesday, the queues for tickets were as long as those for Karajan-length.

Any account of this longest of Mahler symphonies is always an overstatement. In no other did Mahler more ambitiously and abundantly argue his conviction that a symphony should amount to a "whole world". Levine's Mahler is a Mahlerian, solid enough, and built up by his substantial experience in Wagner - a conductor who has found ways of sustaining all of the *Ring* in this conductor's last in his New York Met house is unlikely to have any uncertainties in mounting this Mahler-inspired production.

gression from earthly depths to spiritual heights. Levine's authority was, indeed, in doubt. The work's two mighty mainstays, the woodwinds and the four picturesque inner ones hang together; he commands the individual sound-worlds and dramatic action. He is on the edge of the orchestra traditionally (violins opposite each other, not all bunched together) immeasurably clarifies the music and blend of the scoring; traditional, although perhaps

justified, was the interpolation of an *Adagio* into the first movement. Yet in spite of its many strengths, this Mahler Three seemed a gap between promise and fulfilment that grew more obvious as the evening passed. The Philharmonia seemed to yet entirely at home with the conductor's hand - the very slow tempo for the first movement was not radiant but somewhat heavy-footed in movement. The point, I could not find in the reading little in the way of spiritual power. The mighty adventure of a Mahler symphony is dulled when its intensities of emotional expression - its passion, yearning, and rapture - are left unattended.

There was, however, one vividly emotion-inspiring aspect to the performance: the playing of the soloist, Christa Ludwig. This was her final London concert, after nearly four decades of regular appearances here. In the Mahler setting, her calm, generous, and flowing tone and the unforced movement to atmosphere and colour touched Mahlerian depths otherwise absent from the whole experience.

In the same hall the following evening, a BBC Symphony Orchestra conducted by English music struck a vivid contrast. Under Andrew Davis the BBC orchestra is now an exciting virtuoso band, and the elements of dash, vivacity and risk-taking in both Tippet's Piano Concerto (Peter Donohoe the flute, always poetic soloist) and Walton's *Belshazzar's Feast* (unfairly highlighted the eastbound *Belshazzar* of Levine's Mahler).

The London premiere of Mark-Anthony Turnage's *Belshazzar's Feast* (1991) a brilliantly blues-coloured orchestral showpiece written for the opening of the Birmingham Symphony Hall, was the evening's highlight.

Max Loppert

Philharmonia Levine series sponsored by AT&T and NCR

This week saw the opening of one of the most memorable exhibitions ever



"Bust and Palette", 1925. The modelled form, the flat illusion - this is the first exhibition to treat Picasso's sculpture and painting as integral to one another

Nijinsky's last work recreated

Clement Crisp reviews 'Tyl Eulenspiegel' as part of the Paris Opéra season of tribute to 'a genius'

Vladimir Nijinsky made his ballets for Diaghilev's Ballets Russes. Of these, his first, *L'Après-midi d'un faune* of 1912, has survived through direct transmission from dancer to dancer. The others - *Le Sacre du printemps* of 1913, and *Tyl Eulenspiegel* of 1916 - each had a unique, and were dropped from the Ballet Russes repertoire. Nijinsky's break with Diaghilev, following his marriage in 1919, and his descent into madness in 1921, inhibited revivals.

Nijinsky's genius as a dancer is unquestioned, and speaks to us even through the thin veil of time he created, and photographs which so hold the eye and the mind. His choreographic reputation is more recent. *Faune* is a work of rare originality, the first in the dance-making of our century. It was a flattened and given a thrilling two-dimensional power. *Jazz*, and especially *Sacre*, were more bold in theme (the sub-text of *Sacre* was homosexual flirtation - and this in 1913) and in choreographic virtuosity (Sacre's dance insisting on a weightiness and rhythmic virtuosity far beyond contemporary imagining).

Sympathetic observers, when these pieces were new, convey something of the force of Nijinsky's vision. Marie Rambert, who worked with him on the preparation of *Sacre* (the young and inexperienced Nijinsky was dealing with the most taxing and complex

ballet score yet written) told me quite simply that "he was a genius". These three works were made while Nijinsky was still sheltered by Diaghilev's protective love: in them the impresario saw that novelty which he so valued and so urged upon his artists. But in 1913 Nijinsky married Romola de Pulszky, was summarily dismissed from the Ballet Russes, and went into the wilderness. After the outbreak of war in 1914, Diaghilev had

to re-establish his troupe, and American tours were a means of survival. His American impresario insisted that Nijinsky be part of the ensemble. Released from internment, Nijinsky, his wife and child, arrived in New York, his terms for returning being that he should have command of the Ballet Russes and would make a new work. Diaghilev went back to Europe, and Nijinsky - by now showing signs of mental unbalance - took charge.

His creation was to be a long-contemplated realisation of Strauss's *Tyl Eulenspiegel*. The work's genesis was difficult, as we learn from the writings of Robert Edmund Jones, a brilliant young American designer who was entrusted with sets and costumes. After delays (Nijinsky was

injured) and stormy scenes, *Tyl* was seen at the Manhattan Opera House in October 1916. It was well received, though Lydia Sokolova, who was in the cast, said that the final moments were improvised by the dancers during the premiere. (Nijinsky in his memoirs noted that it was "taken out of the oven too soon").

Tyl was, nonetheless, a success, a brilliantly grotesque picture of the medieval German prankster and the

it is rather like those period rooms in museums where all the furniture and artefacts are right, but the place has no sense of being lived in. Even so, the Hodson/Archer *Sacre* can be seen as a guide to what Nijinsky could have created, albeit style, ways of dancing and ways of teaching, have radically altered performers' skills since 1913, and it looks quaint rather than convincing.

If *Sacre* can be seen as something

the dance is fuss, unobscured, curiously blank. The air is heavy with formaldehyde. This is grave-robbing

Ironically, the problems of bringing the old ballets to life was: by the Opéra's view of *Petrushka*. The text is that copy of Fokine's creation mounted by Nijinsky. Nijinsky's sister for the de Cuevas Ballet in 1920. It looks markedly inferior in many respects to the version provided by Serge Grigorov (who was Diaghilev's regisseur for 20 years) and detail is muddled, incidentally, reduced. The central interpretations are, as a result, less compelling than they should be, and as Diaghilev artists - Markova, Danilova, Dolin, Massine - marvellously showed them to us after the war. Like the rest of the programme, it seems more impression than fact.

Musically, the evening was tremendous, with superlative playing by the Opéra. Under Myung-Whun Chung. Sonorities, rhythms, were brilliant; tempi were those of the concert hall. In *Petrushka* this made a few heels busy - reminiscent of Becham whistling a ballet along and observing "That kept on hop!" The programme book for this evening - as always at the Opéra - is exemplary: very handsome, very informative.

The Nijinsky programme can be seen at the Opéra Garnier on February 14, 16, 17, 19, 22, 23, 25.

'Nijinsky's genius as a dancer is unquestioned, but his choreographic reputation is more vexed'

world he held in his hands. Robert Edmund Jones peopled the stage with fantastic townspeople, and through the busy-busy Nijinsky as *Tyl* raced and capered and caused mayhem. But after three New York showings, and a further 20 on the Ballet Russes' American tour, *Tyl* was never seen again.

The Paris Opéra ballet brought a *Tyl* back to the stage, in a Nijinsky costume that Nijinsky's *Petrushka*, his greatest role, and that evocation of his *Sacre* which was the fruit of years of research by Millicent Hodson and Kenneth Archer. I have reported on the recreation previously. I had seen the set, the costumes, and the original *Tyl* with Nijinsky,

"like", what can be said of *Tyl*, which Hodson and Archer have now evoked through their researches. There are no real indications of text, save written descriptions and the memory of one *Tyl* dancer, the memory of the premiere. There are, happily, records of Robert Edmund Jones' dazzling designs, and these have been given convincing life at the Opéra.

But, summoned from the mists of time, what do we see of *Tyl*? Nothing of much consequence. There are crazy leaning buildings; expressionistically grotesque characters (fatigue wearing helmets that double their height); a mad *Tyl* of townsfolk through which *Tyl* tears like a whirlwind - and Patrick Dupond does a great deal to galvanise the role. But

not very incisive. It is surprising how much real singing and voice this *Tyl* has - rather more than Lamon can summon.

The strongest couple are the Fords. Janice Cairns looks a picture of bourgeois chic and is vocally well in command, with plenty of voice to spare. Alan Opie cannot claim that, but his jealous husband in striped suit and *Sacre* is well seen and knows better than anybody else on stage how to deliver English words.

The *Tyl* dancer, Howard's playful Meg and Anne Collins as a businesslike Quickly, Timothy Robinson Fenton nicely with well-mannered English tone; Sarah Fring's shining soprano is too substantial for *Tyl*'s light-as-a-feather music. Alexandre Naoumenko makes a strong Dr. Caus. The final fugue to a close amid much bustle on stage and uproar from the

in the orchestra, I *Falstaff* that aspired to Verdi's nobility spirit, warming the heart like John's glass of mullied wine, a subtle, was, detailed, nimble, sparkling *Falstaff*. That will have to wait another day. And, I fear, another production.

Revival sponsored by Woolwich Building Society. Performances continue until March 29 (with some changes of cast)

The Falstaff of suburbia

Andrew Litton wants Verdi's score to be red-blooded, with rhythmic strings, forward wind, blazing brass. If that sounds as though it could mean loud, it does, to the detriment of the words, but his vigour and decisiveness are well

Richard Fairman on the revival of the English National Opera production

come. The score of the evening is mellowed somewhat by Benjamin Luxon's Falstaff, who looks beyond the obvious comic opportunities. As he sits rueful and bedraggled after his ducking in the Thames, he cuts a sadder figure than usual. His big monologue at the point

of the evening is mellowed somewhat by Benjamin Luxon's Falstaff, who looks beyond the obvious comic opportunities. As he sits rueful and bedraggled after his ducking in the Thames, he cuts a sadder figure than usual. His big monologue at the point

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BOOKS

A flawed look at fine art

Brian Sewell on European printmaking

The Renaissance print, north and south of the Alps, has largely been taken for granted by art historians unless, as with Mantegna's engravings and Dürer's woodcuts, it is a significant part of an artist's oeuvre and necessary to the completion of a monograph. Few have ever considered it as art in its own right, both woven into painting and drawing, and standing apart from them; nor have they enquired into its mass manufacture and marketing, nor the artists to whom its technical development was a matter of ardent intellectual and aesthetic concern.

David Landau, editor of *Print Quarterly*, and Peter Parshall, Professor of art history at Portland, Oregon, have sought to remedy this, and with ten

THE RENAISSANCE PRINT
by David Landau and Peter Parshall

Yale University Press £45, 433 pages

years research have produced a book that covers the subject for a century or so, from the print's first burgeoning in Flanders in the 1480s, to its exploitation for the mechanical reproduction of Raphael's imagery, and from the first crude woodblock to the elegant chiaroscuro of Ugo da Carpi and Beccafumi.

Their approach is encyclopaedic; we learn of the expanding manufacture of paper from flax, as the market for wool declined and that for linen grew; we learn of paper merchants at a Frankfurt fair of ink from vine yeast or burnt pitch, of printing presses established all along the Rhine and into the Netherlands and Swabia, of family workshops in which wives and daughters played their part and the works of other printmakers were sold, of networks and of agents, and of Hungary as a source of copper for the plates; we are even told of the use of prints as objects of portable and private devotion, and of their enjoyment in privacy when the market proliferated into erotica and pornography, not just in illustrating the illicit loves of gods, but more directly – and the authors make their point with Raimondi's print of a nude woman at pleasure with a ladies' companion.

It is at an engaging pace at the beginning that we absorb the exciting basic facts and glimpse Renaissance

Europe feverishly exploiting a new commerce so important to their prestige that such artists as Lucas Cranach and Urs Graf may have been driven to falsify the dates of their prints so as to lay claim to primacy in technical invention, but the pace is not sustained. The complexities of the material defy the continuous text with which the authors bind it, and like 18th century connoisseurs who know all the facts and are fecund with ideas, but cannot organise either into a logical format, they lose their grasp, and on recovery insert the material almost at random.

From page 65, not under his own name, but with the heading *The Development of a Tonal System*, we have six pages devoted to the vexed matter of Mantegna's prints; a little more appears on page 100, and another five full pages are hidden in the subsequent chapter devoted to Marcantonio Raimondi and Raphael; yet in these three passages the explanation of Mantegna's techniques is far from clear, nor is the question of authenticity satisfactorily addressed. Dürer provides an even more continuous *leitmotif*, running right through the book – very late we learn that he gave his prints in barter and payment, even as tips, and are treated to a discussion of their financial worth and even of the coins that he carried in his purse – but nowhere in the list of contents is he mentioned (nor is Mantegna), though his compatriots Altdorfer, the Hoppers and Lutzelburger are.

The list of contents is one of the book's worst offences, with a confusion of typefaces erratic in their relation to the importance of the subject, a meaningless mixture of capitals and lower case, and absurd crowding, it is inadequate, misleading and damnably unhelpful, and the serious reader intending to use the book for reference must first set to the task of making his own list, with cross-references. An editor should have seen to this, and he should also have shaken the authors by the scruff, too often they write carelessly, their grammar slovenly – "there are only a couple of his plates known" is typical, and "more importantly" and other confusions of adjective and adverb are a common irritant. No editor should have allowed to pass into print the fuzzy thinking of the brief paragraph on Marcantonio and Parmigianino in



Venus and Cupid, a chiaroscuro woodcut from two blocks by Lucas Cranach the Elder, dated 1506.

which appear "almost certainly," "most scholars now agree that," "more probably," "it is not unlikely that," "This is not improbable, and it is also possible that," "would have been," "conceivably," and "probably rehearsed."

A decade of labour by two diligent scholars does not of itself result in a good book, particularly when they cannot spell (marital for Marshall), cannot write with any style that eases the reader through their torrent of material, and are so jack-in-the-box

with its presentation. The design of the book is a disgrace – with a rigid spine its pages never lie flat, and of the twin columns of small print, the inner invariably slides into the gutter, crudely patched with little illustrations, few pages are comfortable to the eye, and the sub-headings that mark the text's crucial shifts from north to south of the Alps are too small to be seen when rifling swiftly through the pages, as one must.

All this is more than irksome, for so absorbing a survey of so wide a field,

learned, technical, perceptive, and full of sudden and illuminating insights, must be regarded as the most important work on the subject for many years – certainly within my lifetime – but it could have been so much more immediately useful had its publishers insisted on its being, not some four hundred pages to be read as literature (with some four hundred illustrations), but a stout reference book. We shall all use it as a reference book, and every time we do so, we shall curse the press that printed it.

Poet hobbled by passion

Michael Glover on the work of Stephen Spender, 85 this year

This month, the great cultural monument that is Sir Stephen Spender will be 85 years of age. It is now more than 30 years since the death of Louis MacNeice, 30 since the deaths of W.H. Auden and C. Day Lewis and 10 since that of Christopher Isherwood.

Spender, the last surviving member of that much-memorialised generation of the 1930s, has survived them all – and he continues to write and review regularly to this day.

The poetry, however, has come very slowly. His last full collection, *The Generous Days*, was published in 1971: his Collected Poems of 1985, though containing some new works (including notable elegies to MacNeice and Auden) was largely a re-presentation – often drastically re-worked – of older material.

In "Worldsworth", the best poem of his new collection, *Dolphins*, he records his first brush with poetry. In 1916 the Spenders were obliged to leave their home on the cliffs near Sheringham, Norfolk after two stray German bombs fell nearby. The family decamped to a farmhouse near Lake Derwentwater and it was there that Spender, then seven years old, heard his father reading Wordsworth in the garden. The vocabulary and the cadences of romanticism became a life-long passion and it is a passion that has both enriched and hobbled his poetry.

"Worldsworth" is just one of several autobiographical poems in this short collection. Another, "Air Raid", captures a moment in 1941 when a bomb, that "unreasoning fury from an enemy's vision of life", destroys the outer walls of a house, turning what had once been private and inside a bath, a wardrobe, books, the telephone – into a public spectacle. All that "tender sensitive life" has been thrown away.

Spender's poetry is a collection of the over-riding theme of the collection, no matter how widely it may seem to range in subject matter – from memories of the first and second world wars, through elegies for dead friends, to a long poem which examines the explosive relationship between Rimbaud and Verlaine. What can be preserved of the intensities of the inner life in a world

that seems hell bent on its own annihilation? The poet, according to Spender, acts as a mediator between the uniquely private self and the world outside us. There is a lived, shared reality which is both general to everyone and unique to each person, and it is poetry's task to describe it.

Unfortunately Spender's abilities in this book are rarely equal to his vision. "Air Raid" collapses at the end into cliché and verbal redundancy; many of the other poems seem too casually written, as if they are little more than notebook jottings. Only in the Wordsworthian blank verse of "Worldsworth" do we find a sustained and excellent piece of writing from beginning to end.

Sir Stephen Spender, cultural ambassador plenipoten-

DOLPHINS

by Stephen Spender
Faber and Faber £12.99 (£5.99 paperback) 46 pages

tiary, the memorialiser of himself and his famous generation, journalist, editor, essayist, university teacher and literary critic seems to have spent so much time clinking glasses across tables and lurching from glittering dinner to equally glittering lunch (anyone who doubts this should read his *Journals*, 1939-1993) that it is a wonder he has had the time – or the powers of concentration – to write any good poetry at all. The fact is, of course, that he has written a little. But most critics would agree that he has not achieved his life-long ambition to be a great poet. His more enduring achievements have been elsewhere: as a writer of prose, for example, (an autobiography, *World within World*, is his masterpiece). Here he has found a way with words that is much more subtle, flexible and assured than most of his poetry ever manages to be, married as it so often is by a peculiar stiffness and Shelleyan rhetoric. As a spokesman for liberal values, no matter how hopelessly privileged the spokesman may at times seem to be, Spender has also made his mark: to argue for the sacredness of the individual and his impulses is, after all, one of the finest fruits of the romantic movement.

In search of Pan and the people of Thrace

Michael Thompson-Noel fails to keep up with Fiona Pitt-Kethley while J.D.F. Jones admires the memoirs of an 'ordinary Greek'

Her *Bavdiker* in hand and her knickers round her ankles, Fiona Pitt-Kethley travelled to Greece to research the god Pan and the places where he was worshipped. Not a bad idea. Proudly worth a travel book. Start in Arcadia, Pan's undisputed birthplace, and carry on from there. Temples and mountain-tops, ceremonies in sordid caves, how extremely jolly. A bit of ancient sex, too, which could hardly harm one's sales.

But be warned: *The Pan Principle* is not a book for an elderly aunt about to embark on a Swan Hellenic cruise of Greece and her islands, for it is stuffed with sex – modern sex, always with strangers, sometimes satisfactory yet sometimes, as in life, rubbily inorganic. The reason for this is that Ms Pitt-Kethley, excessively fond of a book, has sauced the tale of her journeyings with kiss-and-tell accounts of all the sexual rouplings she enjoyed along the way.

Nothing wrong with that, of course. She is not a pornographer. She just has these needs, and is a fastidious reporter – describing, for example, with detachment and insouciance, which colour condom she chose for which Greek member.

And it is refreshing, at least initially, to encounter someone not prepared to don the wan garb of the average travel writer – sick-making lyricism, dishonest romanticism and egregious selectivity. Nine-

tenths of this planet is in a god-awful mess, but you would never guess it from most travel books.

At least Pitt-Kethley is honest. But the mind starts to wander as she grapples with yet another native. First there is Spiros the accountant, with whom she groans and sags in a *piet-à-terre* in Pyrgos. Spiros has his own condoms, a brand called STOP, and, being an accountant, is so extremely cautious that he uses a rubber band to hold the thing in place.

THE PAN PRINCIPLE
by Fiona Pitt-Kethley
Sinclair-Stevenson £16.99, 315 pages

A DRY SHIP TO THE MOUNTAINS
by Daniel Farson
Michael Joseph £15.99, 246 pages

Next is Giovanni, an attractive museum guard with whom Pitt-Kethley couples on the marble floor of the archaeological museum in Naples during one of her trips home. (Do not bother to try it: it proved excessively painful.) Then Nick, a physics lecturer; Demetrios, all foreplay; Georgios the biker, who bites her, rather toughly. And so on and so forth.

A few stray males escape Pitt-Kethley's clasp, including two boys, hardly old enough to be driving, who pick her up in a van between Stamata and Marathon.

They are soon all over her, but they do not get a jump – mainly, she tells us, because she cannot stomach sex.

Occasionally, Pitt-Kethley offers us an anthropological insight. "In Greece, as in England," she confides, "the men are predominantly homosexual by inclination." And although there are plenty of good-looking men in Athens and elsewhere, there is something wrong with Greek male bodies. Greek men hate to walk, she says; they drive everywhere, which atrophies their legs.

She is equally sharp on Greek pollution, which is "slowly but surely" damaging every outdoor work of art. And sharp, too, on Greek officialdom. In Delphi's tourist office she encounters a woman who is remarkably proficient at not giving information in several languages, which leads the author to observe that she has never yet heard any expression of regret for Greek ignorance voiced by a Greek.

What with all the sex, Pitt-Kethley's search for the ithyphallic Pan, the master of diverse roles, who was revived, in Edwardian times, as a figure representing raw sex and the subconscious in all its power, is often lost sight of, though she has her moments as a travel writer, not least when describing the people of the tiny village of Ano Karyes, on Mount Lykaion, one of the most beautiful and mysterious

of Greek mountains, from the top of which you can see all the mountain ranges of the Peloponnese.

Twenty years ago, unknown to most of the world, the people of Ano Karyes decided to restart the Lykaian Games, which had a pedigree almost as honourable as that of the Olympic Games. There are only 27 people left living in Ano Karyes, but their passion for conservation is so inspiring, says Pitt-Kethley, that since meeting them she has often wished they were running the whole country.

In a ruminative finale, Pitt-Kethley concludes that Pan is dead in most of Greece – dead of pollution and the self-created problems in which Greece wallows. But she adds, not convincingly, that he is alive elsewhere, at least for the time being.

After the exuberance and knowingness of Pitt-Kethley, Daniel Farson's *A Dry Ship to the Mountains* sits tamely in the hand. Farson sets out to complete his father's 1929 attempt to cross the Klukhor pass in the Caucasus on horseback. At the age of 64, this great-nephew of Bram Stoker imagined he would take a jolly cruise down the Volga and then an idyllic ride across the mountains. That is not how things turned out.

He writes fairly charmingly. Trouble is, I read him immediately after rolling with Pitt-Kethley. Every time Farson met a new male character, I at once started wondering how he would rate in bed. The suspense was all but fatal.

Patrick Leigh Fermor's services to our understanding and love of Greece extend beyond his magnificent travel books. His translation of *The Cretan Runner*, for instance – the war memoir of George Psychoudakis, one of Leigh Fermor's irregulars during the German Occupation – gave us one of the most fascinating books about Crete. Now he has introduced the English edition of another memoir by an "ordinary" Greek. Like *The Cretan Runner*, in *The Trail of Odysseus* is a surprise and a delight.

It is the life story of Ylianos Danielopoulos, who was born in old age, which was then put together and skilfully placed in context by Marianna Koromila. It has been finely translated by Nigel Clive and Leigh Fermor contributes an introduction in his inimitable style. ("On the right a beech-forest wavered inland to the foothills of the Great Balkan Range, and on the left, beyond a steep tumble of rocks and a troop of cormorants, a sweep of green water fled away to the skyline. It was getting dark: light snow began fluttering down and suddenly revelation came...")

The interest, and indeed the importance, of this book is that it calls from the shadows the least-known members of the Greek diaspora – the three million Greeks of the Black Sea, before the dramas of this century drove most of them back home to the Mediterranean. These Greeks (can we call them Thracians?) of the Danube Delta, the Crimea, Odessa, the Caucasus, Rostov-on-the-Don, etc. have never enjoyed the attention which has rightly been given to their compatriots in Egypt or Asia Minor. Here at last we have a portrait of a vigorous and thriving society of traders and sailors, a picture of a bygone age in which villagers

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IN THE TRAIL OF ODYSSEUS
by Marianna Koromila
Michael Russell £14.95, 150 pages

dance on red-hot coals at the Feast of St Pantalemon, the children are all sent off by sailing boat to school in Constantinople, and drunken Cossacks drown in the cellars they have flooded with looted wine. But Ylianos' life was to be one of repeated crisis and disruption, as he suffered – with remarkable ebullience – the consequences of the Balkan Wars, the first world war, the 1917 Soviet Revolution and its aftermath, the 1929 Crash, the second world war, and Yalta. Again and again he built up a business and a home, whether in Constantinople or Rostov or the Sea of Azov or Novorossiysk or Constantza (again) or Bucharest, only to lose it all and have to move on.

He changed nationality twice and profession 13 times and he was seven times a refugee. He was a money changer, he owned a cafe and then a grocery store, he was director of a state confectionery shop in Romania, and he finished up a farmer in Attica. He survived the Bulgarians and their "ethnic cleansing" of Thracians in 1914, the Anarchists in 1917, the Bolsheviks in 1924, the Iron Guard in 1940, the Stalinists in 1948. He made friends with the German invaders in 1940 and with their Soviet successors in 1945. Always he observed the golden rule of Greeks abroad – keep out of local politics.

In the end, says Koromila, not too fancifully, he followed the guidance of Thrasios to Odysseus – to take an oar and to travel inland to the point where the oar is thought by the locals to be a spade, and there to make his home. In 1950 Ylianos brought his family back to the Mediterranean, as refugees. All of this is engrossing, but I am a little worried about Koromila's insistence that Homer specifically set *The Odyssey* in the Black Sea, with the Sirens in the Sea of Marmara and Hades located in the Cimmerian Bosphorus at the foot of the Caucasus. This is surely an absurdly literal interpretation of a great poetic myth – and anyhow, Odysseus was aiming for Ithaca, which lies in the other direction. Does this explain why this otherwise splendid slim volume is disgracefully devoid of a proper map?

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Rarely is a journalist's coup quite so comprehensive as the one scored last September by Jane Corbin. Within hours of Yitzhak Rabin, Israel's prime minister, and Yasser Arafat, the chairman of the Palestine Liberation Organisation, shaking hands on the lawn of the White House, Corbin's account of the secret negotiations which led to the deal was being screened by BBC Panorama.

She has now attempted to flesh out her inevitably rather impressionistic account with a more detailed narrative. The format, however, is similar and the book has the accelerating pace of a political thriller.

The cast of characters – the Norwegian expeditors, the Israeli amateurs and later the professionals, and the

senior PLO figures – occupy centre stage. Their personal chemistry, swings of emotion, suspicions, eating habits, dress styles and largely successful attempts to avoid media attention are minutely chronicled.

So Terje Rod Larsen ("dresses with casual insouciance") and Mona Juul ("something wild and mysterious about her") are the Norwegian "golden couple" at the heart of the negotiations who sometimes exchange "surreptitious glances of dismay". Abu Ala is "the Palestinian banker, though no terrorist himself", who flies into occasional rages and must

GAZA FIRST: THE SECRET NORWAY CHANNEL TO PEACE BETWEEN ISRAEL AND THE PLO

by Jane Corbin

Bloomsbury £15.99, 213 pages

always be given the biggest bedroom, while Uri Savir, the leading Israeli negotiator, on his second day in Norway wanders about in jeans and T-shirt asking: "Where am I? Who am I? What am I doing here?"

There is rather less detail on the

actual substance of the negotiations, in part because the process is continuing, but also because of the ambiguity required by both sides in order to clinch an agreement which could be sold to their domestic constituencies. Mutual recognition by Israel and the PLO, implicit since the Madrid conference in 1991, was the explicit achievement of the Oslo agreement. All the really contentious issues, such as the future of Israeli settlements, the status of Jerusalem, and the right of Palestinian refugees to return to their own state, have been shelved.

The resolution of those problems will depend on people who did not benefit from the unique atmosphere created at the Norway meetings. Arafat is now back at the centre of world attention, but also subject to greater international scrutiny, while the deeply cautious Rabin is juggling his every word against the stability of his coalition government.

The sudden death last month of Johan Joergen Holst, the Norwegian foreign minister, tragically illustrated the enormous physical and emotional strains imposed on his small team. They emerge as the true heroes. The others have yet to prove that they are as selflessly and courageously committed to a just and lasting peace.

Roger Matthews

Peace in the making

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WESTCOUNTRY:
 12.50 Westcountry Update. 12.55 Westcountry Weekend Latest. 2.00 Sell the World. 2.30 The Common Swordsman. (1971) 4.29 Roadrunner. 4.50 Steeplechase. 5.20 Life Goes On. 6.15 Westcountry Weekend Latest. 11.50 Wild World of the East.

DISNEY:
 12.25 The Littlest Hobo. 12.50 Calendar News. 2.00 Highway to Heaven. 2.55 Westward Ho, the Wagons. (1959) 4.45 Sunnimesters. 5.30 Calendar News of the Week. 10.40 Local Weather. 11.50 Urban Angel.

SUNDAY

SATURDAY

People and Politics. 8.00
Words of Faith: A 1.00

6.10 Prelude.

6.00 News; British

8.00 News; British News; Printer's Devil, 6.30 Jazz For The Asking, 7.00 Newsweek, 7.00 From The Front Lines Correspondent, 7.50 Write On, 8.00 News; Words of Faith; Ray On Record, 9.00 News; World Business Review, 9.15 Short Story: The Day of the Dancing Devil, 9.30 Folk Routes, 9.45 Sports Round-up, 10.00 News Summary; Science in Action, 10.30 In Praise of God, 11.00 Newsweek, 11.30 BBC English, 11.45 News and Press Review In German, 12.00 News

Sliggo, 1.00 News
Newshour, 2.00 News
Summary, This is Your Sport
2.50 Anything Goes, 3.00
News: International, Real
4.00 News; British News; BBC
English, 4.30 News in German.
News: World Business
Review, BBC English, 5.00
Newswatch, 6.30 News in
German, 6.00 News; Words of
Famous People, 6.30 News
Today, 6.00 Newshour, 16.00
News; British News; Meridian,
10.45 Sports Round-up, 11.00
World Business Review, 11.30
Play On Record, 12.00
Newswatch, 12.30 In Praise Of
God, 1.00 News Summary;
Words of the Week, 1.30
Scores, 2.00 Newswatch, 2.30
Composer Of The Month, 3.30
News; British News; Sports
Round-up, 3.50 Anytime Sports,
4.00 News; Animals of Power,
4.30 BBC English, 4.45 News

and Press Review in Germany.

Back in Moscow, they found a copy of *Dr Zhigago* in his luggage. He was stripped of his Master of Sport title, a GM's master ticket; his wife left him, and for a while he could not perform as player or pianist. Officials only relented when Fischer also crushed his later opponents.

BRILL

The Extra Edge in Play, by Terence Reese and Julian Pottinger (Gollancz \$6.98), contains many instructive and stimulating hands. I recommend this book with confidence. Let us study Test Case:

N
♠ 9643
♥ K853

BRIDGE

North deals with neither side vulnerable and opens with one no-trump (weak). South replies with three hearts and North rebids four hearts. This accepts hearts as trumps, shows the club control and expresses willingness to explore slam possibilities. But South, with no such ambitions, closes the auction with four hearts.

West leads the ace of spades and continues with the king.

E.P.C. Cotter

CROSSWORD

Name _____

ACROSS

1 Up a third? (6)
4 In favour of price ban (6)
6 Showing reverence for a party circle... (7)
9 ...break the ice... (7)

DOWN

25 In the course of taking maid out to street (5)

11 Reading about commendation

(10)	Deserted article in hat (4)	3	Peench of an apple? (9)
11	Slip off the beaten track (4)	5	Advanced, electrically charged
12	Amenable to having motor- 13	14	Belly-sch follows half the bushes of the country? (7)
15	Old king's charter for salad (8)	7	Quintessence, away outside and made a sprit? (9)
16	Stuck with Gloucestershire's owners, due to get out (6)	10	One holds plants under the ground (7)
17	Extract of seaweed from Malaga rocks (4)	13	Worker at till who plods wearily home in times? (9)
18	The sea's nuisance, a bit of a foot! (10)	15	This element is amusing me, in a way (9)
19	Influence move to strike... (7)	17	A murder suspect, one hears (7)
20	... involving hot-temper- ed person? (7)	19	Emotionally affected at univer- sity, having finished (7)
21	Hunter's D minor variation	21	Puff oxygen with delight (5)
		23	Right over to be uncomfort-

Solution 8.383
Solution 8.379

YOMYOM	LOGJAM	BRUMBY	EMPHASIS
WAGTAIL	WAGTAIL	BEVIVY	T O H I
PAUZYNY	MISHAKE	LEVITY	PLAINWATER
C D E W N T E		L E T P K O	
FLYCLARKING	EASE	PARTEBERE	GARDEN
RYNCH	R H	S W R S E S	V V
PRYGLING	OMESTIC	C O W D E	INACTIVY
I T S E F		H D B A	D S
SOUTHWAY	TEMPT	O L A R I F Y	GOAT
E E A		P I U F E R	G I
BEAR	RIRORING	HANGER	ALBERGIC
C T E B R	QING	D W	
FOURAGE	ROGUEISH	SKINCRAB	FLORAL
E T		C T I L	E E
ROUNDIE	REMEDY	CATAPULT	ANGLER

WINNERS: 8.372: P. Carter, Oldham; P. Baxter, London N16; M.J. Barry, Richmond; S. Smith, London N16.



The debunking biography is high fashion. Publishers now love nothing more than a book which will prove that cherished public idols have not only feet of clay, but are brittle through and through. Or rather, were brittle. Such biographies could never survive the English laws on defamation, were it not for the fact that dead men cannot sue.

This week Sir Stephen Spender, happily still with us, managed, through legal action, to cause the publishing of an ostensible work of fiction which appeared to be based on alleged homosexual relationships in his youth. But it must irritate Sir Stephen that he cannot guarantee his posthumous reputation. I am prepared to bet that the temporarily stymied publisher of the fiction will gleefully reprint the book

Private vices and publication

Dominic Lawson looks at the fashion for posthumous attacks on public figures

immediately upon the poet's death, with a slogan such as "The book Sir Stephen Spender banned!"

This week two further examples of the genre have been serialised in the newspapers. One is *Roadkill* by Jeremy Treglown, to be published by Faber and Faber in March. The other is *John Arlott's Memoir*, by Timothy Arlott, published by Andre Deutsch next Tuesday. Dahl, whose books for children give more pleasure to their young readers than almost any other such writer since the days of the Brothers Grimm, is portrayed by Jeremy Treglown as selfish, ruthless and heartless.

In one episode Dahl is said to

have fed his daughter a sleeping pill, apparently so that he would be safe to have a telephone conversation with one of his mistresses. Unfortunately for Dahl, the potion did not take effect, his daughter overheard the conversation, and challenged her father.

The author, according to his biographer then addressed his daughter thus: "You've always been trouble, you've always been a nosy little bitch. I want you to get out of this house now."

I am certainly not going to fault Treglown's research, still less his motives. But will Willy Wonka's chocolate factory ever seem the same? At the least, the product

might taste a little more bitter.

The case of the Arlott biography is more poignant. The subject was one of Britain's best loved broadcasters. His reputation was of a kind gentle and generous man. The author who manages to drill a few holes in this picture is John Arlott's son. Tim Arlott gives credit to his father where he believes credit is due, but is ruthlessly honest about the great cricket commentator's late years, describing him as: "a selfish, demanding, limited and impossible old man."

I suspect that the majority of men become selfish, demanding and impossible in their old age,

unless they have managed to do so earlier. But some of the stories that Timothy tells about his father are chilling nonetheless.

Perhaps there are some who will read Arlott junior's book and not be able to recall the old boy's wonderfully generous commentaries. But I imagine that for most of us, the revelations will seem insignificant compared to the pleasure we gained from the outward manifestation of John Arlott's character. Above all, none of it means that he was one whit a lesser man as a professional; he managed never to inflict the darker side of his character on to the public who adored him.

While I am sure that this will be the common reaction to young Arlott's revelations, it is strange that such licence is not now being given to our politicians. Most people seem to believe that Stephen Milligan's strange and entirely solitary sexual practices would have rendered him unsuitable for high office. Few people have said that it is an absurdity beyond measure that another Conservative MP should have felt compelled to resign junior office because he sent love poems to an assistant.

If we approved of what a politician did before we knew of his private vices, we should continue to vote for him and his policies. If we did not like his policies then we should never give our support, no matter how saintly his private life. As has been said before, civilised society cannot survive without a certain amount of hypocrisy.

Dominic Lawson is editor of *The Spectator*.

Too many genes

Michael Thompson-Noel



Never have I felt so glad to return to London as I did last weekend. Good old England; praise God for Naffshire. How snug things seemed. Comforting. Familiar. A government of tired incompetents lecturing an electorate of (mainly) idiots on how to comport themselves. Another Tory scandal. Deceitful. Banality.

I am a surprisingly simple soul: always highly amiable, a boon in office or home. But I was in such a depressed state when I returned from Delhi last weekend that I almost fell to the ground at Heathrow and kissed Naffshire's sod, so pleased was I to be back.

I had not been to India before. I was there only briefly. But I was outraged by what I saw - filth, pollution and poverty on a scale hard to stomach; people milling wretchedly; the degradation of humanity on an eye-popping scale.

I had to keep rubbing my eyes, for India seemed a parody of a country, so unreal, so far off-course, that I felt I had strayed into a time-kink from the middle of the next century, when population pressures will be exacting a dreadful price for our inability to control our breeding.

HAWKS & HANDSAWS

By coincidence I was reading, while in Delhi, Aldous Huxley's *Brave New World Revisited*. It was published in 1969, as Huxley's second opinion on the phantasmagoric prophecies contained in his novel, *Brave New World*, written in 1931.

I would guess that for every 1,000 who have read *Brave New World*, only a handful have read *Brave New World Revisited*. You should try it, especially if you have just handed a small boy, only five or six years old, one of India's Untouchables, a few rupees in a Delhi street and have watched his scabbed little face light up with a smile of disbelief.

Huxley was much exercised by over-population. This was not the space age but the age of over-population. In the *Brave New World* of his fable, he wrote, the problem of human numbers in relation to natural resources had been effectively solved. But in the real world the problem was "becoming graver and more formidable with every passing year. It is against this grim biological background that all the political, economic, cultural and psychological dramas of our time are being played out."

That quote is from the first chapter of *Brave New World Revisited*. It is in the second chapter that Huxley really let rip, and he did so by venturing into areas that are simply not discussed today.

In his *Brave New World*, he said, eugenics and dysgenics were practised systematically: Betas, Alphas and even Alpha-pluses out of one set of laboratory bottles; biologically inferior, almost sub-human, creatures from another set.

In the real world, we did nothing systematic about our breeding. "But in our random and unregulated way we are not only over-populating our planet, we are also, it would seem, making sure that these greater numbers shall be of biologically poorer quality... Under the conditions now prevailing, every advance in medicine will tend to be offset by a corresponding advance in the survival rates of individuals cursed by some genetic insufficiency."

Result: no improvement, or perhaps a deterioration, in average health standards, and perhaps a decline in average intelligence. Going further, Huxley quoted a Dr W.B. Sheldon as claiming that it was "the fashion in some academic circles to assure students that the alarm over differential birth-rates is unfounded; that these problems are merely economic, or merely educational, or merely religious, or merely cultural or something... This is Pollyanna optimism. Reproductive delinquency is biological and basic."

What chilled me especially as I stared through the windows of my tourist coach in Delhi was Huxley's conclusion. "What," he asked, "about the congenitally insufficient organisms, whom our medicine and our social services now preserve so that they may propagate their kind?... the wholesale transmission of our descendants of the results of unfavourable mutations, and the progressive contamination of the genetic pool from which members of our species will have to draw, [is] obviously bad."

Huxley didn't have any answers. But at least he asked the questions. Where have those questions gone? Why have they been purged? Why the great silence? I believe I know the answer. I think we have grown afraid. The thing that is frightening us most is the sight of our own teeming shadows.

Private View / Christian Tyler

Sibyl of an age of anxiety

Liz Greene, a Jungian psychotherapist, talks about the age of Aquarius

She was poised, a beautiful sibyl, under her own painting of a church hewn from the rock in old Capadocia. Her dark feline eyes were highlighted with ochre, and there were long scratches on her bare forearms. Two fluffy Burmese cats skidded about the floor.

In the centre of the contemporary room stood a bust of the emperor Hadrian. Dionysiac masks grinned from the walls. Cretan snake-goddesses and steatopygous figurines adorned the mantelpiece; a three-eyed Mexican cat with human paws guarded the fireplace. We were in the house of Liz Greene, doctor of psychology, Jungian analyst and scholar of astrology.

Dr Greene had been hesitant about this visit. Now she sat, quiet and composed, on the edge of the sofa, occasionally leaning forward to light another cigarette.

I asked her: Is the world suffering from Pre-Millennial Tension?

"Yes, certainly. But I call it collective anxiety. There is certainly an enormous amount of it around."

What is the anxiety about?

"I think you can only partly explain it by millennial fantasies - we have very funny ideas about millennial. I think it is deeper than that. There are, it seems to me, very profound changes taking place in people's perception of reality."

World-views, she said, had a finite span. "And the world-view which we have been relying on, the scientific world view, is showing serious signs of wear."

Why should we notice that?

"We still have a collective psyche. We are still plugged into, if you like, a unified life which I think all human beings share. There is something which connects us. It lies behind mass movements and the appearance, for example, of the same mythologies in different parts of the world." Meanwhile, the 2,000-year-old moral fabric of Christianity was "falling to bits".

Liz Greene speaks slowly and softly, like a sleepwalker, in a gentle American accent acquired from childhood in New Jersey. She went to university in Boston and Los Angeles then, having an English father and feeling culturally European, moved to England 30 years ago.

Was this pressure for change coming from humanity or from some cosmic or divine force? They could not be separated, she replied. Psychology might use neutral language "but I don't see a lot of difference between what Jung called 'the collective unconscious' and what religion calls God."

Scientific knowledge prevented us from going back to the ancient world of myth. We had lost something *en route*. "You see a tremendous reaching out for answers. People are desperate for something that will make the anxiety go away."

So they come to psychotherapists?

"They come to us, to astrologers, to priests, to fundamentalist religion, to political ideology - they come to *isms*."

Collective anxiety and cosmic pressure might just be inventions of the psychiatric industry, I said: if not Pre-Millennial Tension, then Post-Copernican Depression.

"That's an attitude one can take," she said. "I don't think it helps a lot. It's like blaming advertising for something becoming popular."

I had read a feminist theory that collective anxiety is a men's crisis. Was the gender war, if such it be, a symptom?

Greene said she understood the idea but did not subscribe to it. "I think it's a symptom of scapegoating, the most characteristic manifestation of anxiety." She mentioned Germany and the Jews. "It's particularly ugly but very human."

Talk of gender wars bred hatred and made the problem worse.

I pointed to the pagan images around her room and asked if the occult played some part in her worldview.

"The objects are here because I like them. The images of ancient gods are symbols, not actualities and are imaged beautifully. That's why I collect them, not because they are altars at which I sacrifice black chickens." She smiled suddenly, her mouth describing a great V. "It has nothing to do with magic or witchcraft. I mean, astrology was never occult."

As everyone ought to know, our equinoctial point is shifting out of Place into Aquarius. The Age of Aquarius starts about now, give or take 50 to 70 years depending on which star you pick.

Astrological shifts coincide with changes in religious beliefs, attitudes and values, Greene said. Aquarius, being a collective type of sign, is appropriate for conglomerate activity such as the European Union, multinational companies, even superstores.

Are you saying there is a causal connection?

"No, I don't think that we are being *made* to do anything because it's the Age of Aquarius. There isn't an 'out there' and an 'in here'. They're part of the same thing. So planetary patterns do seem to synchronise with changes that take place in individuals and collectives."

She said there was a Uranus-Pluto conjunction, portending upheaval, in the 1980s. People may have been demonstrating in Paris, I objected, but what upheavals were there in Indonesia or among Eskimos?

"I am not a world historian. You would expect to find something happening but it would only happen within the structure that Indonesians or Eskimos built."

Orthodox scientists scream bloody murder about this kind of thing.

"That's their problem, not mine." Now she actually laughed.



Liz Greene can afford to laugh. Probably half the world, including Ronald Reagan, consults horoscopes. Nor are all modern scientists hostile. The French researcher Michel Gauquelin is reported to have found compelling statistical evidence of zodiacal congruity among individuals.

Does it matter how it works?

"Of course I would like to know, but I'm not going to lose sleep over it."

Do you expect the link to be discovered one day?

"Yes, I think it will. But I suspect it's going to require an opening up of the scientific frame of reference for measurement."

Liz Greene sometimes uses astrology to help her identify the probable crisis points in her patients' lives. I asked if she was not worried she would impose her unorthodox beliefs on vulnerable clients.

"Of course I'm concerned with that. I think any intelligent therapist is." That was why responsible

analysts underwent analysis.

It may be just another symptom of our anxious transition to Aquarius that psychotherapy has come in for a lot of stick. Therapists have been accused of feeding off their clients, encouraging selfishness, even breaking up families. I asked Liz Greene if she was aware of it.

"Well, I'm aware of *Pey Weldon*. She laughed again. Weldon is bringing out a novel, *Affliction*, based on the story of her husband's defection to a female analyst. Greene was not sympathetic. "He probably had a great many other reasons for going. I think he heard what he'd been waiting to hear."

Nor did people go to analysts casually, except perhaps in the Woody Allen world, she said. It was too expensive for that, both emotionally and financially.

How far should one person poke inside the personality of another?

"As much as the person needs. But I think the psyche limits itself. I think we all have a kind of inner

sanity which tells us when something is not functioning properly and when it's OK."

Is not introspection an unhealthy substitute for what used to be extrovert worship of some deity?

"I don't think it's a substitute and I certainly wouldn't call it unhealthy. But as we can no longer find God 'out there' it's not a bad idea to find something like it inside, to discover some kind of inner morality or integrity or ideal which is living force."

Beneath the inner distress, she said, was something "more intelligent than the person is on the conscious level."

What we used to call "the soul"?

"Yes, if you like."

Is psychotherapy a voyage of self-discovery for you as well?

"Certainly. I find people quite miraculous. My sense of - if you like - the 'soul' keeps getting reaffirmed every time I work with someone. You see something mysterious and remarkable coming alive

in them."

Liz Greene studied stage and costume design but found the actors more interesting than the plays. She also suffered a crisis at university and problems with relationships. She would not tell me more.

I asked for her star sign. It is Virgo.

So your account of the world is one that suits your temperament?

"Of course it suits me or I wouldn't espouse it."

You don't claim any more for it than that?

"I could be wrong."

About the collective anxiety?

"I could be wrong about all of it. I can only tell you what I have observed. I draw the conclusions that fit my frame of reference."

Whether it's absolute truth I haven't the foggiest idea. But it is a very rich and meaningful frame of reference, not only to me but has been for 4,000 years to minds far better equipped than mine. I'm in good company."

protestants should then be warned that the grant will be cut unless they behave, and the Catholics would see that if they were to join the Republic they would be very much poorer."

"We tried this."

"You must be more ruthless. And this time get rid of the terrorists. Kill or imprison all that you prudently can. Bribe the rest. Give very large bribes to the leaders; then they will control their comrades and inform on any who break ranks. This will be much cheaper than paying \$400m to your soldiers. Of course these payments must be disguised: perhaps as a rehabilitation fund run by Norwegians."

"But this is totally unacceptable."

"Then keep your dreams," he said and faded into the dawn.

The old Italian way to pacify Ireland

Max Wilkinson considers a 16th century solution to the long-running conflict

I dreamed a dream of how to end the killing in Northern Ireland. No matter. John Major is also sleepwalking: uncertain from one day to the next whether he is talking to the bosses of the terrorists. And Gerry Adams is far away in the land of nod if he thinks that easy victories on American TV can sanctify murder or disguise the growing ascendancy of Protestant gunmen.

Let us hope that both are dancing to a tune we cannot hear and that Ireland will one day awaken to its harmony. Meanwhile, here is a different dream. It begins with the ghost of Machiavelli, asking briskly: "Why do you English stay in Northern Ireland? For profit, sentiment, for glory or because you fear the contagion of a religious war? Which

side do you support? If neither, why do you give them both money?" The spirit of that prince of civil servants began to fade.

"Stay," I cried. "Everyone except our government knows that these are the right questions. But how shall we answer?" He returned into focus, with the sardonic smile which so irritated Lorenzo de' Medici.

"I have written," he replied. "That a foreign power cannot succeed by generosity alone: for the people's gratitude is fickle. A liberal rule must be tempered by severity. Hannibal, for example, avoided insurrection because his fine qualities included extreme brutality..."

"No doubt, no doubt," I said. "But we abandoned even the mildest torture decades ago after *The Sunday Times* discovered that prisoners were being made to stand against a wall... Yes, we have tried locking up all suspects, including the innocent. But as you said in 1513, that sort of thing fomented unrest."

"And you no longer exact tribute from their lands," he mused.

"No," I replied. "English settlers were once rapacious. There was hunger and oppression. But now the province is part of our kingdom, just like Kent or Wales. The people there get the same benefits as in Great Britain even though they generate less wealth."

"So you must pay..."

"Yes, £3,200m a year, plus another £400m for an army to stop them killing each other. That is about £43 a week per head."

Machiavelli looked puzzled, so I explained: "We give every person in Northern Ireland the equivalent of a 20kg sack of silver each year."

His lip curled: "You are much loved for this?"

"No. Powerful Americans believe the Irish are still enslaved and send them money for explosives. The Irish think state benefits are theirs by right (as people do in England). The Protestants fear we will take away their privileges, and the Catholics grumble because so many can

not find work."

"You pay them even if they do not work?"

"Of course. Especially if they do not work."

"Including the terrorists?"

"Perhaps, if they have no work."

"Few successful rulers have paid rebels who kill their own soldiers," he said.

"But we are a democracy."

"Nevertheless, your rulers must force both sides to understand how much is being paid and exact conditions for the money. This cannot be done, you agree, so long as Northern Ireland is treated like your Kent. Perhaps the province could be given a kind of independence. The